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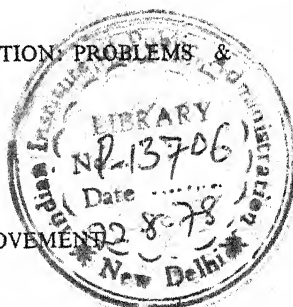
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Some Aspects of Cantonment Administration in India as Seen in the Mid-Sixties —a study in reform

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THE word cantonment is a derivative of the word 'Canton' which means, "a corner: a division of space, a division of territory, constituting in Switzerland a separate government or in France a sub-division of an *arrondissement*".

Insofar as the Indian context is concerned, the definition given in the Chambers Twentieth Century dictionary is sufficient according to which the cantonment means "the temporary quarters of troops taking part in manoeuvres or active operations: in India, a permanent military or civil town generally a few miles from an Indian town."

ITS HISTORICAL ORIGIN AND VARIOUS PROBLEMS

This institution started as purely military reservations, *i.e.*, land occupied by the troops and their followers, and to contain such buildings as were required for military purposes. Gradually, of course, the advantages of trade, protection, etc., attracted to certain cantonments large numbers of the civilian community. The result has been that, in many cases, there have been growing within cantonments large urban areas containing civilian population, which has little or no direct connection with the troops. The institution of cantonments has thus been an administrative answer to the municipal needs of such military stations, around which, a large number of civilian population came to live, and got settled in due course of time.

It would be difficult to trace the history of each cantonment. However, ample evidence, based on official record is available, which throws light on how the Government came to acquire a land which now belongs to cantonments from diverse means, such as, on payment of compensation to the original holders of land, or by right of conquest or by appropriation and

* This paper is based on a report submitted by the author to Study Team on Defence (Chairman: Nawab Ali Yavar Jung) of the Administrative Reforms Commission of India.

those which formed the subject of a treaty with the ruling chiefs concerned. "It seems pretty safe, however, to assume", the Patil Committee which had examined the administration of cantonments in 1953, observed, "that nearly all of them started as temporary encampments of the military and their camp followers. In due course, some of them must have been selected and laid out as permanent camps with residential accommodation of the bungalow type for officers."

It may be of some interest to recall here remarks made by the then Law Minister (Sir A. Scoble) in his speech in Council on October 10, 1889, in connection with the Cantonments Act of the same year when he said, "Although there is no definition of the word 'cantonment' in the Bill, it has a well-understood popular meaning. The term has for more than a century been applied to military stations in India, and these stations have, almost from their first establishment, been subject to special regulations. The troops themselves being under military law, it became necessary to use the language of Bengal Regulation XX of 1810—'from the great number of native retainers and followers attached to military establishments in India, and the importance of a prompt and orderly discharge of their duties to the welfare of the troops', to bring them also to a certain extent under military discipline; and with this view, in order to ascertain within which the stricter rules thus sanctioned might be enforced, it was enacted that 'the limits of cantonments and garrisons, including the military bazars attached thereto, at which any division or corps of the Army, or any considerable detachment, not being less than half a battalion, may be quartered, shall be marked out by the commanding officer in concert with the magistrate', and submitted for the final orders of government."

He further added :

"While recognizing the necessity of maintaining special laws in places primarily intended for the occupation of troops and followers it has been the object of the framers of the Bill to assimilate, where it was possible, cantonment law to that prevailing in municipalities. In some parts of India Cantonments* are included within the limits of municipalities, and special provisions have been introduced to prevent any conflict of jurisdiction from this cause."

The key problems of the cantonment townships emerge from the growing needs of giving the troops a sanitary environment, and to fulfil the land and housing needs of military expansion, and to cater to the day-to-day municipal and socio-economic and welfare demands of the civil population

* The word 'Cantonment' occurring here is presumably meant in the sense of a Military station. Position has, however, changed since and there is no instance now where any Municipal Law makes special provision on account of inclusion therein of a Military station.

living in these areas. This 'mix-up' of the civilian and military population in exercising a joint administrative control has thus come to acquire some peculiar features.

A special and controversial feature of the Military Lands and Cantonment Administration arises both from its constitutional and political status.

The Constitution of India *vide* List I of Schedule 7 which describes the items belonging to the Union List under Article 246 refers to the Cantonment as a 'Central responsibility'. The item 3 of this list says that the Union Government will be responsible for the following items:

"Delimitation of cantonment areas, local self-government in such areas, the constitution and powers within such areas of cantonment authorities and the regulation of house accommodation (including the control of rents) in such areas."

Since, cantonments are a federal responsibility, although they are located in the territorial jurisdictions of the State Governments, their administrative problems also merit serious considerations of Centre-State relationship in India. For instance, although under the Indian Constitution the local self-government, and the municipal activities as such are state subjects, a cantonment, as a local self-government institution, is not entitled to any of the privileges to which the municipality, etc., are entitled. Nonetheless, the civil population living in these areas, always asks for the same amenities, which the people living in the neighbouring municipalities of the State Governments enjoy.

It is generally believed that the amenities in cantonments are largely same or better than those that exist in adjoining municipal areas. However, this demand has two broad features : One is the simple quest for parity in the regulatory laws as apply in terms of the collection of revenue, taxation, octroi, construction of buildings, sale of land, etc. And, the other feature is more of a political question dealing with the political aspirations of the civil population demanding increasing democratisation of the administration, on the lines similar to the practice of the local self-governments under the States.

The problem pertaining to the Cantonment Administration, thus, has many aspects worthy of administrative reform of which the central point is: Do the large centres of civilian population need to be administered the way they are being administered today under the provisions of the Cantonments Act of 1924 as amended by the Cantonment Amending Act, 1936; followed by Cantonment (Amendment) Act, 1953; or, do they need to be administered by a different local self-government system? In discussing this point we have to bear in mind that the Cantonment Act differs from other municipal Acts only in the constitution of the Cantonment Board. In other respects it is like all municipal laws.

Whether or not the civilian population residing in the cantonment areas is necessary for the needs of the Army, in which they have their origins or 'followers', 'civil contractors' etc., or on the contrary, can their services be obtained otherwise?—say by making the troops exclusively dependent on their own military resources.

If this be the case, is not the additional burden of cantonment administration thrown on the Military authorities, an uncalled for digression for them, since it takes some of them away from their normal military duties. cannot this work of municipal administration of which they have little experience and equally little aptitude, if any, not be taken away from them?

We are concerned here with the question of the present-day standard of living of health, of sanitation and of the habits of the civil population both in and around the areas in which troops are quartered; which in the context of ever increasing civilian growth, both in number and towns falling within the jurisdiction of the State, could well be the joint concern of the State Government as much as that of the Centre, instead of becoming an exclusive burden of a remote federal 'Directorate' of Military Lands and Cantonments in New Delhi.

In particular, one also feels concerned in thinking of certain concrete administrative suggestions which might give greater security to the troops, to their cantonment establishment, and, also, help minimise their exposure to numerous health hazards.

Connected with the above aspects is also the problem of the maintenance of the military lands and estates. The maintenance of these lands and the hiring, requisitioning of estates for military use presents its own set of difficulties, which also need to be looked into.

Clearly, the various problems concerned with this special local self-government institution which merit reform have also grown along with history. These problems vary from cantonment to cantonment. Each cantonment presents a set of problems which are basically common with those of other cantonments, but here and there they do display some local peculiarities as well. Notwithstanding these problems, the cantonments, as central cities to help the needs of the Military encampments, have come to stay as a necessary and useful local self-government institution. But under all circumstances, there lies a fundamental need to search for a new Code. Since there is no code formulated which can serve as a guide in the setting up or disbandment of a cantonment. One should also view the cantonments as units of local self-government and as purely military stations.

However, there is a publication called "The Handbook on Cantonment Planning" which does lay down guidelines for planning of a Cantonment, once a decision is taken on other considerations to form a cantonment. The only directions to go by in regard to formation of Cantonments are those of a very general nature given in the Cantonment Act.

They are:

- (i) The place is one where troops or members of the Air Force are quartered.
- (ii) A Cantonment is required for the service of such forces.
- (iii) Due considerations should be given to the objections of any of the local inhabitants to the formation of a Cantonment.
- (iv) The State Government in whose territory the Cantonment falls shall be consulted before hand.

Notwithstanding, this lacuna, if we remember that the cantonments are primarily Military Stations, and thus are an important federal responsibility, then it is only right to say that they should be retained. In fact many more cantonments could be and will be set up in strategic areas where the needs of the three services demand their creation.

We will now examine in some detail certain other aspects with a view to exploring the changes that this special area of administration deserves.

THE ORGANIZATIONAL AND PERSONNEL MATTERS, RECRUITMENT, PROMOTION, TRAINING AND MAGISTERIAL ASPECTS

The cantonments have been divided into three classes namely:

1. Class I Cantonments, in which the civil population exceeds ten thousand;
2. Class II Cantonments, in which the civil population exceeds two thousand five hundred but does not exceed ten thousand; and
3. Class III Cantonments, in which the population does not exceed two thousand five hundred.

The administrative machinery that governs the cantonments consists of a Cantonment Board. In Class I Cantonments, the Board consists of the following members, namely:

- (a) The Officer Commanding the Station or, if the President of India so directs in respect of any cantonment, such other military officer as may be nominated in his place by the Officer Commanding-in-Chief of the Command, who is the President of the Board.
- (b) The Health Officer.
- (c) The Executive Engineer.
- (d) Four military officers nominated by the officer commanding the station by order in writing.
- (e) A Magistrate of the First Class nominated by the District Magistrate.
- (f) Seven members elected under the Cantonments Act, 1924 as modified from time to time. C.E.O. is Secretary of the cantonment. One of the official members in (d) above is kept in abeyance to give

a democratic character to these bodies. The membership of the official and non-official elected members of the Board varies in the case of Class II and Class III Cantonments.

The President is normally the Military Officer in Command of the forces in a Cantonment other than a Major-General. The G.O.C.-in-Chief's special power of appointment of President is involved only when he wants a person other than the senior-most Military Officer to be the President.

The Ministry of Defence exercises its control over the cantonments through the Director, Military Lands and Cantonments. The G.O.C. of each command is advised in the matter of the cantonment administration by the Deputy Director, Military Lands and Cantonments, who is further assisted by the Assistant Directors and the Military Estate Officer who work under his jurisdiction. All these officers belong to the Military Lands and Cantonment Service as constituted in the year 1951. The administration of the cantonment is thus jointly run by the military officers and the civilian officers of the MI&C Service.

The President of the Cantonment Board, in his day-to-day dealings, has the special advantage of possessing the near veto power. The President has veto in the sense of suspending action for a month under the S. 51(i), under certain limited circumstances, connected with health, welfare and discipline of troops. Otherwise, where there is a tie in voting, the President can exercise a casting vote. His decision prevails in the Cantonment Board only where point of order on procedural matters are raised.

The view, however, is that the elected members are not so powerless as depicted nor is the President so powerful. The President's contribution at a meeting differs from that of elected members only to the extent that he has a casting vote in the event of tie. The President could carry the members with him, if all the nominated members are present, and there is a lack of unanimity among the elected members.

Consequently, a great deal of success of cantonment administration, in the majority of cases, is a reflection of the mutual good-will, and the capacity of give and take, between the army authorities on the one hand and the civilian representatives on the other. This success can be measured in terms of the personal equation which may get established between the two sides, from time to time. The smooth working of the Cantonment Board would thus vary from place to place, from people to people, since it is dependent on several contributory factors.

It has been pointed out that the work of the cantonment is seen by military authorities as something secondary, and above all, an unnecessary burden and uncalled for drag on their normal military duties such as the training of troops. Although wherever the cantonments' matters come to them they give it their utmost consideration. This is in no way a new conclusion. Even during the British days, the view was maintained, that "The

administration of cantonments containing large civil areas by boards composed mainly of military officers is not satisfactory from either the military or the civil point of view. On the one hand, the military members of the boards, owing to their military duties have not the time to devote to the study of the principles of municipal administration as applied to densely populated civil area nor can they be expected to be fully conversant with the requirements of the civil population, and on the other hand, the civil population as represented by the elected members of boards, often takes little or no interest in the general administration of a cantonment except insofar as it affects the civil population of the bazaar area."¹

Instructions already exist calling upon Military officers concerned with Cantonment Boards to take lively interest in civic affairs.

The answer to these questions is not easy. It should be clearly understood that the civil population of the cantonments has forged some peculiar (and inseparable) bonds with the quasi-military administration of the cantonments. It is a well-known fact that the civil population in almost all the cantonments, is most reluctant to quit the cantonments, and get itself attached to the adjacent municipalities. And at the same time, the military authorities also strongly feel, that it would be a good thing if the troops are not kept in total isolation of the civilians. They must mix with the civil population, so that it may strengthen the bonds of mutual friendship, and stop the civil population from thinking of the soldiers of their own country, as if they are foreigners. Exclusion of the Jawans and the other army officers from the happy civil life, it is argued, tends to influence their minds in an unhappy manner. It affects them emotionally. And, therefore, it is necessary that the two should continue to live near each other.

THE ROLE OF THE CHIEF EXECUTIVE OFFICER

The Chief Executive Officer in a Cantonment Board acts as the Secretary of the Board and of every committee of the Board. But he is not a member of the Board or any subcommittee. He is an officer of the Military Lands and Cantonments Service and is required in practice to take various decisions and implement them and, as such, he is held responsible for the efficient administration of the cantonment boards.

The C.E.O. has got many well-defined executive powers to be exercised in his own right. There is very little that he derives from the President with the notable exception of Sec. 25 which provides for C.E.O. exercising Board's powers with President's previous sanction. But the C.E.O.'s powers are nevertheless inadequate and not commensurate either with the responsibilities

¹Extract from a letter dated May 23, 1938, issued by the Defence Secretary to the Government of India while requesting the excision of bazaars from the cantonment areas.

that devolve on him or what is generally expected of him. In the past the Chief Executive Officer used to be a magistrate and a military officer at that. Today the C.E.O. is a civilian.

It has been pointed out time and again that in majority of cases the Station Commander has little interest and little experience of cantonment administration. In fact he possesses elementary knowledge of the rules and regulations. Curiously enough, his official position till today remains to be defined.

Since, the powers of the C.E.O. have not been well-defined in the Cantonment Act he has to maintain his official position a great deal on the basis of his personal resources of administrative knowledge, experience, tact, initiative and enormous capacity to get along with the military authorities on the one hand, and the democratically elected representatives on the other. His effectiveness would, therefore, vary from place to place. Thus a considerable justification exists today that the duties of the executive officer be enhanced so that he can act *suo moto* with respect to certain specified items, such as, the institution of criminal and other cases against those who have committed petty offences in violation of the Cantonment Act or of its regulations made thereunder. Such of his actions would be binding on the Cantonment Boards. There are certain duties, which C.E.O. should not perform, e.g., he should cease to be the rent controller.

MAGISTERIAL WORK

Owing to the presence in cantonments of a large civil population which, in many stations, far exceeds the strength of the garrison, it has been found necessary to govern them by a set of civil laws and regulations. These laws are contained in the Cantonments Act and Cantonment Code and in special enactments that have been extended to cantonment areas. The Cantonment Magistrate is empowered to enforce these laws. In this judicial work the military authorities are not concerned because it is in no sense military. The judicial side is, therefore, questionably civil in nature. Thus the Cantonment Magistrate in addition to his main and primary work of a judicial officer is called upon to deal with offences committed against special Cantonment laws. During the British period in various cantonments, the Cantonment Executive Officer, under the orders of the officer commanding the area, also held the magisterial status. In this capacity which was very well-defined, he acted as a court of summary jurisdiction. Today, the magisterial functions are discharged by the Magistrates who belong to the judicial department of the State Government or that of the Union Territory as the case may be. These days the judicial work in cantonments is on an increase and it has its own quota of 'delays'. There is a clear-cut case for improvement in the machinery for the discharge of magisterial responsibilities in the cantonment jurisdictions

in order to expedite disposal of the various cases. In this connection the following suggestions deserve immediate consideration:

1. For all criminal work Special Magistrate should be appointed to hold their courts within the jurisdiction of the cantonments.

2. Wherever feasible Honorary Magistrates should also be appointed to assist in the discharge of ministerial work in certain well-defined categories of cases.

3. A group of officers belonging to the Military Lands and Cantonments Service may also be given the necessary magisterial and legal training so that some of them may be called upon to hold such positions as enumerated above. Such officers will, however, be subject to the judicial control of the High Courts in their respective States.

THE LOCAL CANTONMENT STAFF & THE PROBLEM OF THEIR RECRUITMENT AND TRAINING

During the course of my visits to over forty cantonments I found that some cantonment authorities were criticized for having increased their staff; the growth of their expenditure, and for the burden of increased taxation.

Most of the cantonment boards like any other local self-government were also attacked for the inadequacy of their services, poor equipment and lack of professional and technical competence and know-how particularly on the part of such cantonment staff, who were responsible for the actual execution of the various municipal services rendered to the people living under their jurisdiction. The truth of the matter, however, is that there is "a limit to the demand for the social services and the physical environment is seldom equal to the demands which the public makes on it. But the society can only offer the services and amenities which its resources will allow". Thus no kind of pressure on these bodies and no kind of statutory definition of a local authority's powers or duties will secure the services and amenities without the money and people to provide them.

But what kind of people would work in a local body is something which is less of an economic proposition and more a matter of an imaginative recruitment and training policy of an employer. Several local government institutions throughout India can be legitimately criticized for showing little imagination in this respect. The cantonments are no exception.

What a local government or a cantonment authority can most certainly do is to make sure that its own use of employees is in order and that it can give satisfactory answers to the following questions:

1. Are its recruitment policies and procedures and the career prospects it offers geared to the present-day educational pattern in the country?

2. Are its training programmes and its managerial structures designed to develop the abilities amongst its junior staff as well as the senior professional officers to the fullest extent possible?

3. Does a Cantonment Board make the most economic and efficient use of the manpower, so that skills and abilities are properly related to the jobs to be done?

4. Is its internal organization so designed that control is effectively exercised and the fullest use made of modern management techniques and does it make full use of the opportunities which exist for the exercise of 'initiative' by its officers?

The cantonment personnel consist of officers which are drawn from two different streams: the Military Lands and Cantonment Service and the locally recruited employees corresponding to the municipal employees. Examined against the criteria laid above, one does find that all is certainly not well with the personnel administration of our cantonments.

The main grievance of the officers of the Military Lands and Cantonments Service, which in the mid-sixties had an authorised Class I cadre strength of 79 of whom the Direct Recruits (Class I) numbered 38 was that although recruitment to Class I is made from the same source and on the same basis as in other Class I Central Services their service conditions do not bring to its members prospects similar to the members of other Central Services. It was argued that "the number of posts in scale of Rs. 1300-1600 and above form a very small percentage of the cadre strength and there is only a single post in the Senior Administrative Grade of Rs. 1800-2250. This apart, there is abnormal congestion at the higher levels, due to the lack of mobility, and very scarce normal wastage as would be evidenced by the fact that the last normal wastage took place in 1960 and the next was due in November, 1968. The inevitable result is that it takes longer than 22 years for a class I Officer to be promoted to the Junior Administrative Grade of Rs. 1300-1600 while the Senior Administrative Grade is out of reach of the bulk of the direct recruits. This is in conspicuous contrast to what obtains in other Services where promotion to the Junior Administrative Grade of Rs. 1300-1600 can be gained within 8 to 10 years and to the Senior Administrative Grade of Rs. 1800-2250 in about 18 years as a normal feature; that this vast disparity in career prospects has caused a deep sense of frustration amongst Class I Officers of this Service and needs no elaboration."

Apparently, there is a need for some radical measures to bring them at par with the members of the other Services. Under normal conditions any service, whatsoever, should have inbuilt provisions ensuring adequate career prospects for its entrants. In the M.L. & C. Service there certainly exists a need for creating greater openings through well conceived plans of diversifying the administrative experience of these officers, by sending them on deputations to related jobs in the Government elsewhere. Also, the Military Lands and Cantonments Service should be considered an equal partner to other Class I Service which constitutes the Higher Public Service in India; they should be entitled to the same privileges as are admissible to other Central and All-India Services.

Insofar as the locally recruited employees are concerned, here, if there are difficulties of personnel management, then, the cantonments like all the local government institutions throughout India can be legitimately criticized for showing little imagination in this respect. Whereas, one could say that the local authorities in this country, like all employers, suffer from the national shortage of manpower and, particularly of skilled and trained people; neither of these bodies have, however, been debarred to use better methods so that this kind of shortage may be met with by their own internal personnel policies.

What a local government or a cantonment authority can most certainly do is to make sure that its own use of employees is in order and that it conforms to the personnel criteria discussed earlier. Some suggestions with respect to the new trends that ought to govern the staffing practices in the various cantonments can be briefly stated here.

RECRUITMENT

The cantonment boards should recognize the growing need to recruit graduates as trainees for professional and administrative posts and the danger of not doing this; and should, therefore, place increased emphasis on recruitment from universities and colleges. They could also recruit school leavers who do not go to higher education; and, as an incentive to recruitment, offer good training programmes and opportunities to obtain administrative and professional qualifications. They should accept that it is necessary to offer care and attention comparable with those offered by competing employers, (the municipalities, corporations, etc., operating under the State jurisdiction) in order to attract and retain the staff of the quality they need. Cantonment Boards should keep close contact with the registrars of technical institutions like the I.T.I.'s or Polytechnics so that they may get really qualified people to handle the technical side of municipal responsibilities.

The Cantonment Boards throughout India should have a unified personnel service. The selection of this unified personnel service should be done by a Central Staffing Agency for cantonments which should be constituted forthwith.

The posts within the cantonments should be transferable from one cantonment to the other. These few changes, one can safely say, can bring forth considerable improvement in the field of personnel administration in the cantonments.

DEVELOPMENT AND FINANCIAL ASPECTS OF CANTONMENTS

The development work of the cantonment is considerably handicapped due to the paucity of funds and the unfettered development of the

area. The policy of taxation in the cantonments too needs to be justly revised.

In terms of facts and figures, the development picture indicates that during the Second and Third Five Year Plans much larger amounts were made available to Cantonment Boards. During the Second Five Year Plans a total amount of Rs. 2,39,49,530 was sanctioned out of which Rs. 2,08,35,860 was spent. A sum of Rs. 22,13,670 remained unutilised. During the third Five Year Plan a total amount of Rs. 1,80,28,121 was sanctioned and Cantonment Boards spent a sum of Rs. 1,64,56,127. A sum of Rs. 15,71,994 was surrendered.

In the mid-sixties there were around 62 cantonments in the country with a civil population of about 12 lakhs. Owing to inadequacy of funds and the distribution of limited resources over schemes having different priorities, not much headway had been made in planned development. During the next 4 years of the Fourth Five Year Plan, it was, therefore, proposed to concentrate on providing certain basic amenities in cantonments. These basic amenities included provision of sufficient protected water supply, adequate hospital cover and minimum conservancy services. The total cost of providing these services in all the Cantonments after making allowance for the existing facilities was estimated roughly at Rs. 9 crores. The provision of protected water supply was to spread over 4 years.

In development matters the major hurdle will always be that of Finance. Out of 62 Cantonments about 2/3rd then had deficit budgets. Every year the Central Government has to provide a subsidy to these deficit Cantonment Boards in order to enable them to balance their budgets. Even those Cantonment Boards which are self-supporting were not in a position to undertake large-scale development plans without external financial assistance.

So far Cantonment Boards have not been included in schemes administered by State Governments out of funds made available by the Ministry of Health and International agencies. For example, under the National Malaria Eradication Programme funds were made available by State Governments to Municipal Bodies for providing protected water supply. State Governments have generally taken the view that cantonments being the responsibility of the Ministry of Defence should not be included in schemes administered by them. As a result of this Municipal Bodies have been receiving loans and grants for providing, for example, protected water supply whereas Cantonment Boards have been unable to obtain any financial assistance through the State Governments. It is obviously unfair to discriminate against the civilian population in cantonments *vis-a-vis* the population of municipalities. As such it would be a good thing if the funds provided by International agencies as well as by Ministry of Health, were also made available by the State Governments to the Cantonment Boards for development purposes in the same way as they have been given to municipalities in the State.

MILITARY LANDS, ESTATES: HIRING, REQUISITIONING ASSESSMENT, DISPOSAL AND LAND LITIGATION MATTERS

The administration of the military lands is possibly one of the most complicated and at the same time interesting feature of cantonment administration. The complexities involved in the land management arise due to the successive legislative measures and rules and regulations made thereunder which have, from time to time, governed the land administration in the country in general, and in particular in the cantonments under the overall control of the Ministry of Defence.

During the British rule in India, the army needed lands and hence the legislative and other related measures of regulating the acquisition and management of such lands had commenced even prior to the passing of the Land Acquisition Act of 1894. The salient features of the cantonment land administration rules, then, were somewhat as follows:

1. They sought to secure all possible Military requirements and prevented absolutely any further encroachment on Government rights.
2. While retaining the principle of the present system under which certain lands in all cantonments are managed by the Cantonment Authority, they make it clear that the Cantonment Authority possesses no rights in such lands other than those of an agent acting on behalf of the Government of India; they prescribed a new system of crediting the proceeds from these lands with the object of securing a more equitable distribution of the total profits from all cantonments was possible in the past; and they provided an alternative managing agency in the event of the Cantonment Authority deciding not to assume management on the terms prescribed.
3. They were designed to safeguard the financial interests of the Government of India—and incidentally of Cantonment Funds (which is not in existence now) by ensuring that whenever land is disposed of in future to private persons or associations, it shall be leased on terms which will secure an adequate return to the lessor and adequate security of tenure to the lessee.
4. They were deliberately so framed as to secure for the Military authorities, with the generous consent of local Governments, the benefit of the advice of the local civil authorities, who are specially versed in land administration, and relief, so far as possible from administrative duties of a non-Military character.

Apparently, the key-note concerning the military lands from the earliest time was pitched on the fact that land does not belong to the Local Government or the Cantonment Board, but it belongs to the Government of India and, that Government of India should continue to hold the land, "so long

as that occupation is necessary for the efficient discharge of their duties under the Government of India Act, etc."

It is obvious from the foregoing statement that a great deal of proper interpretation of the phrase "the effective discharge of the duties of Government of India" led to the development of the various rules and regulations, and also, the adoption of a conciliatory attitude by all parties involved in the land transfer transaction. It was from this point of view that the Military Land Manual published during the British times had made the following comment:

"Whether a certain quantity of land is or is not required by the Government of India for the effective discharge of their duties must be judged, not merely with reference to the actual circumstances of the movement, but also with reference to further possible development and the ideal administrative standard that the Government of India can properly contemplate. Thus, it is true that a large number of cantonments are very spacious compared with the actual plinth area of the military buildings which they contain; but this is a most desirable state of affairs from the point of view of the health and convenience of the troops, and it would not, therefore, be open to any Local Government to claim the surrender of cantonment land simply on the ground, for example, that it was not used as a site for barracks or even as a parade ground. It must be clearly recognised that though every acre of land in a cantonment may not, and indeed cannot, be used for immediate and specific military purposes, and though it may be perfectly legitimate for the convenience of internal administration to distinguish between these two classes of land, yet that classification in no way pre-judges the larger issue whether land which is classified as not required for an immediate and specific military purpose is, or is not required for the effective discharge of the duties of the Government of India."

Around mid-sixties the total area owned by the Ministry of Defence outside the Cantonments was 3,16,503,61 acres and the land under the management of the Military Estates Officer about 81,470,58 acres. It is, therefore, necessary that such steps should be taken which will streamline the entire process of acquisition and in particular, as stated earlier, the settling of disputes and questions of arbitration, etc., which arise from time to time in this field.

The key changes which one can hope will ensure reform in the field of hiring, requisitions, assessment, disposal and litigation connected with the maintenance of military land and estates are as follows:

1. To begin with, in the light of the views offered by the Expert group on land acquisition, and other matters such as administration of lands, keeping of records, disposal, etc., the existing land administration manual for the Military and Cantonment Lands should be made up-to-date.

2. The Government should not give up the lands which are within and around the cantonment jurisdiction but should retain and develop them in an imaginative manner keeping in view the future needs, say needs up to the year 2000 A.D., of military housing and the establishment of other defence installations such as the Ordnance Factories, Research Laboratories, Aerodromes, Dock-yards, etc.

3. The Government should make a thorough investigation of the various complexities that have developed in the field of land administration, as far as possible, in line with the State.

THE NEW ROLE OF THE MILITARY ESTATES OFFICERS (MEO)

There is need today to regain the role of the military lands and cantonment service, as the land manager with a view to extend to its officers, not only the duties of a land manager, which is the case today, but also, to make them effective land revenue administrators.

The functions and the scope of work of the Military Estates Officer needs to be changed considerably. The powers of the Military Estates Officers, his status and relationship between the Collector on the one hand, and the army authorities on the other needs to be considerably enhanced and codified.

The M.E.O.'s should cease to work merely as a land manager but some of these officers of M.L. & C. Service who are dealing with the management of land activities, should also be encadred as military land and revenue officers on the lines of their counterparts in the State administration.

CENTRE-STATE RELATIONS AND CANTONMENT ADMINISTRATION

The cantonments, although they are a federal city, but being located in the territorial jurisdiction of the State Governments, present some special features, which merit some fresh reconsideration.

We have already seen how a cantonment came to be set up. The process is simple. The Government of India in pursuance of its defence needs requires the permanent stationing of its troops at some place. In majority of the cases these are isolated areas, such parts of the country where no organized municipal facilities are available for the civilian population which gets congregated around the Military reservations. The army can and does take care of its own municipal needs, such as the water works, sewage system, electricity, etc. But the cantonments were created to cater to the ever increasing civilian population and their needs; and the maintenance of neat and clean shops in the bazaar areas and in and around their homes, besides proper water works and the general scavenging needs of the area. There are then the special needs to provide adequate medical facilities. All this thus would necessitate the establishment of cantonment, and require efficient administrative apparatus.

Even though under the Constitution the cantonments are a Central responsibility, we cannot ignore the fact that any help or civic amenity extended to the civilian population is also an indirect help rendered to the troops living in the vicinity; since, bad conditions of sanitation or security may prove hazardous to the safety, health and welfare of the troops. The important point, usually ignored here, however, lies in the fact that the Federal effort of extending the civic amenities in the cantonments, which are a special kind of central cities within the state jurisdictions, does invite a great deal of cooperation from the State Governments than what exists.

The first question that one has to ask is: should not the responsibility of the extension of the civic amenities to the civil population which has gathered around the places where the troops have been quartered or military installations have been built, be that of the State Government as well?

Secondly, what has, in general, been the attitude of the State Government towards the cantonments? In purely legal terms, perhaps, it is not the job of the State, but the question arises: Is there not some such thing as 'the national interest'? Don't the States in time of emergency call upon the help of the troops? Should not, therefore, they too show similar consideration and extend certain facilities to the residents of the cantonments, perhaps, the responsibility of the excavating and sanitation needs of the civilian population living in the cantonment areas, in part, should be that of the State Government also. And, all in all, the State should normally extend all such financial or commodity assistance to the cantonments as they normally do to the local self-governments falling within their own jurisdictions.

The Federal responsibility, essentially speaking, is primarily towards the troops. It was so conceived at a time when India was a unitary State and, therefore, the Federal authority was to be fully responsible for the entire running of the cantonments. Today, Defence may be the Central subject but the entire burden of administering the municipal functions in a cantonment should not fall merely on the Central authority. In the changed context of a Federal set-up in the country this responsibility has also to be shouldered by the concerned States where the Cantonment exists.

Moreover, the cantonments today, except for a few hill-area cantonments, are not located in isolated areas. In the majority of cases these cantonment areas are sprawled almost adjacent to the municipal jurisdictions of the State Governments or say within a few miles, thereof.

There is, therefore, a need for a basic change of attitude on the part of the State Governments, as well as the Central Government, towards the cantonments which are nothing more than a special kind of urban cities within the State jurisdiction. The Central Government has to realize that the Directorate of the Military Lands and Cantonments has not been created merely to carry out the scavenging duties in the State jurisdictions. At the same time the State Governments have to realize that even if cantonments are a constitutional obligation of the Federal Government, they are basically, the cities of our

nation to which the State Governments are morally, if not legally obliged to extend reasonable assistance.

The cantonments cannot be allowed to become second rate cities *vis-a-vis* the cities in the States. The responsibility of the safety and security and welfare of the troops should be the primary responsibility of the Centre in terms of the constitutional law. Nevertheless, this need is a collective responsibility and devolves special obligations on the State Governments as well.

Besides, if the cantonments, as towns, are allowed to live in a state of impoverishment they would never develop as centres of trade, commerce and culture, in which case also it will be a greater loss to the States than to any one else. Thus any administrative reform concerning the cantonments, even if they be an exclusive central responsibility, would be one which makes them a special kind of urban city within the State's territorial jurisdiction derives the benefit of 'dual-care'—both of the 'Union' and the 'State' Governments.

More than anything else the State Governments have a moral obligation upon them to assist in the due development of the cantonments in the same manner, as is the case, with State's own corporations and municipalities. Their active help to the civilians living in the cantonments in developing common socio-economic, educational and welfare programmes would go a long way to benefit States themselves. A beginning could be made in the field of education, culture, medical assistance, family welfare and cottage and small scale industries, thus embracing the bare essentials of development.

Leadership in Urban Government: a case study in organisation and political background of urban leadership

S. N. MISHRA

A GREAT deal is talked about leadership in our country. The discussion often veers round the quality of leadership. The quality of leadership assumes all the greater significance in the context of developmental administration like ours. Much is expected of leadership in the context of changing or reforming old institutions and attitudes and operating the new democratic institutions. Dissatisfaction is generally expressed when leadership fails, as it is said to have done frequently, to reform old institutions and operate the new ones, giving rise to the various features of maladministration like inefficiency, red-tapism, and corruption. If the crisis in administration, the inefficiency and corruption the citizen complains about, and the charges and counter charges politicians or municipal leaders fling against one another are any indication, it is that all is not well with leadership at various levels, union, state, district, sub-division and urban.¹

The present study concentrates on the urban leadership in the medium sized city. It purports to find out the political and organizational background possessed by the city government leaders of a city like Gaya in Bihar, and the kind or extent of influence the background had on their ability to function as efficient or successful leaders. These have been studied in terms of their membership of and record of work in the various professional or social service organizations. The party affiliations of the leaders, their participation in various movements or agitations, their experience of operating representative institutions, particularly at the city level, turned out to be of vital considerations for a study of leadership.²

The data for this study were collected from the Gaya Municipality in the summer of 1976, i.e., from March '76 to June '76 as a part of a larger research project entitled "Leadership in Urban Government" through participant observation; structured, guided, and depth interviews; and sources

¹R.T. Jangam and B.A.V. Sharma, *Leadership in Urban Government*, New Delhi, Sterling, 1972, Preface.

²*ibid.*, p. 3.

such as office records, government officials, and knowledgeable persons in the city.

An English version of all the schedules was rendered by the author. The schedules were translated into Hindi at the time of interview if so required. These were pre-tested and modified wherever found necessary before the final use.

The Gaya Municipality was selected for the study on the basis of following criteria:

- (1) In terms of general physiographic and socio-economic conditions, the Municipality does not constitute a typical area;
- (2) The headquarters of the Municipality is located in a typical mixed-economy city;
- (3) The Municipality has had the 'maximum' exposure to community development; and
- (4) The Municipality by and large constitutes a culturally homogeneous unit.

Apart from these criteria the author's long acquaintance with the people of the municipal area spreading over a decade, has helped him in establishing the much needed rapport with the leaders and followers of the city.

The Bihar & Orissa Municipal Act, 1922, Section 4, provides that the number of Ward Commissioners on the Municipal Council will be decided on the basis of population. However, the State Government's Notification No. 2776/LSG dated September 12, 1967 provides that the number of councillors will be fixed on the basis of population but in no case it will be less than eight and more than thirty-two. Besides these elected members there is provision for two coopted members. Out of the two, one will be women's representative and the other a representative of scheduled castes or scheduled tribes. And as such the Gaya Municipality has altogether thirty-four councillors. The question schedules were served on all the thirty-two elected and two coopted councillors. The territorial jurisdiction of the Gaya Municipality covers both urban and semi-urban areas.

MEMBERSHIP OF PROFESSIONAL AND SOCIAL ORGANIZATIONS

The following Table indicates that seven out of thirty-four councillors, i.e., 20 per cent of the total were not associated with institutions or organizations—caste, community, religions, professional or occupational, trade-union, cooperative, educational, cultural and so on. Their relative lack of concern or participation in various organizations or their activities can be attributed to their poor family background and low level of education. The coopted woman councillor's pre-occupation with household affairs kept her away from organizational activities. There are some specific reasons too.

Three with farming and two with business background felt that their professions, with all complexities of post-independence era, demanded full concentration on their part, leaving no time to participate in activities of various institutions.

Table 1

<i>Types of Institutions or Organizations</i>	<i>No. of Councillors</i>	<i>Percentage</i>
Community, caste or religions	6	17.7
Professional or occupational	12	35.3
Trade-union, labour welfare	5	14.9
Cooperative	8	23.5
Educational	9	26.1
Cultural, sports	3	8.8
Youth	5	14.9
Club	6	17.7
Not associated with any	7	20.0

Note : The number of councillors total up more than thirty-four or the percentages total up more than hundred because of more than one professional or social organization and hence figures in several groups.

Caste or Community Organizations

As many as six councillors, or 17.7 per cent of the total, were members of community, caste, or religious organizations. Some councillors were members of Yadav Sabha and Bania Samaj. Some councillors helped to operate a Madarasha and a library, mainly for Muslims. One of the councillors was the district President of the Backward Class Federation.

Professional Bodies

The number of those belonging to the professional or occupational associations or organizations was fairly large—twelve, or 35.3 per cent of the total. Some of the associations operate at the city level while others at district and State levels. Some councillors were members of Bihar Chamber of Commerce. The lawyer members were associated with local bar council.

The Chairman of the Municipality, a bus and truck owner, was a member of the Bihar Bus and Truck Owners' Association. A few councillors served on district level Handloom Board. Quite a number of councillors were members of the Oil Merchants' Association, Oilseeds Merchants' Association, Grain Merchants' Association and Cloth Merchants' Association. One councillor was the member of District Level Barai's Association.

Trade Unions

The number of those who were trade-union leaders or who helped to run the labour welfare centre was five, or 14.9 per cent of the total. There were three municipal workers' unions: the sanitation workers' union, the octroi workers' union and municipal teachers' union. Some of the councillors held important positions in the Rickshaw-pullers' union at city level. One councillor was the Vice-President of Bidi Workers' union. Another was on the executive of the Gaya branch of the Indian National Trade Union Congress (INTUC).

Cooperative Societies

As many as eight councillors, or 23.5 per cent of the total, took active interest in running some cooperative society or the other. The councillors occupy important positions like President, Vice-President, member and so on in a variety of cooperative institutions—consumers' cooperative society, handloom weavers' cooperative society, cooperative bank, employees housing cooperative, etc.

Educational Institutions

Nearly one fourth of the councillors, or 26.1 per cent of the total, were associated with the working of various educational institutions ranging from nursery school to college. Some of the councillors occupied important positions on the management boards of different colleges and private schools. Some councillors had recently started a night college for service-holders. Some rendered valuable assistance in running two backward class students' lodge, while others helped the conduct of a Gram Panchayat Training Centre. Some councillors have shown their active interest in running some girls' schools.

Cultural and Sports Bodies

Three councillors, or 8.8 per cent of the total, took keen interest in cultural or sports activities. Some of them run football, volleyball and chess associations. One of them conducted the local branch of Bharat Scouts. One has

started Music and Dramatic Society, while another one has organized a Lakshmi Puja Mandal which among other activities, organizes cultural function at the time of Lakshmi Puja annually in the month of November.

Youth Organizations

There are a number of youth organizations such as Bidyarthi Parishad, Congress Seva Dal, Students' Federation, Youth Congress. Five councillors, or 14.9 per cent of the total were associated with these organizations.

Clubs

Six councillors, or 17.7 per cent of the total, patronized various clubs like lions club, cricket club, football club, etc.

PARTY AFFILIATION

Political membership might leave a distinct impact on the outlook of the councillors, if their political associations have been long and ego-involving. The identification and ideological interest so acquired may cut across caste and occupational loyalties. In fact, the development of ideological interests is a major task to which the political parties might address themselves.

Unfortunately, not enough was known about the political affiliations of the councillors as the information gathered through general sources was inadequate. Moreover, the political affiliations of the councillors are given on the basis of information supplied by them individually but they were cross verified by the other councillors and also through the district offices of the parties concerned.

There is evidence of a higher rate of politicization amongst the majority of councillors. The corroboration comes from the fact that the political parties set up their contestants for the elections to municipal council. A substantial number of these were active party members, party office-bearers at district or city level. It proves the increasing degree of involvement of councillors in State politics. The expectation that the municipal councillors would eventually mature as future legislators and political executives at State level seems to be sound. Nevertheless, the true projection of the experiences gained or qualities acquired in municipal bodies would be manifested in the outlook and habit of legislators and ministers drawn from the ranks of the municipal membership cannot be vouchsafed.

Table 2 concerning the party membership of the councillors indicates that about 50 per cent of the councillors were members of the Congress Party. The Jana Sangh came next, *i.e.*, 20 per cent, the Communists and the Congress (O) 5.88 per cent each, whereas the Socialist Party had only one councillor, *i.e.*, 3 per cent of the total.

Table 2

<i>Political Parties</i>	<i>No. of Councillors</i>	<i>Percentage</i>
Congress	16	49.1
Congress (O)	2	5.88
Communist	2	5.88
Jana Sangh	7	20.00
Socialist	1	3.00
Independents	6	17.7
Total	34	

Independents had six seats on the council, or 17.7 per cent of the total. Only those independents were elected to the municipal council, who were active social workers or had substantial support of their caste or occupation groups. Some of the councillors were very important members of their respective parties, who occupied important positions in the party hierarchy both at district and city levels.

Table : 3 shows the party positions of the councillors at district level :

Table 3

<i>Political Parties</i>	<i>No. of Councillors</i>	<i>Political Party Positions at District Level: percentage</i>
Congress	3	8.8
Congress (O)	—	—
Communist	1	3.0
Jana Sangh	1	3.0
Socialist	—	—

The Table indicates that out of sixteen Congress councillors only three occupied district level positions in the party. One was the General Secretary

of the Gaya District Congress Committee, while the other two were the ordinary members of Gaya DCC. Out of seven Jana Sangh councillors, only one councillor occupied the district level position in the party, which comes to 3 per cent of the total. The Jana Sangh councillor was the Vice-President of the party at district level. The Congress (O), Communist and Socialist councillors did not occupy any position of importance in the party at district level.

Table 4 would show the city level position of councillors in their respective parties.

Table 4
CITY LEVEL POSITION OF COUNCILLORS

<i>Parties</i>	<i>No. of Councillors</i>	<i>Percentage</i>
Congress	4	11.90
Congress (O)	—	—
Communist	2	6.00
Jana Sangh	2	6.00
Socialist	1	3.00

This Table shows that out of sixteen Congress councillors, only four occupied city level positions in the party. One was the president of Town Congress Committee, another was the treasurer and remaining two were the members of the executive committee. It is quite revealing that the Communist Party supplied only two members on municipal council but both of them occupied positions in their party at town level. On the other hand Jana Sangh supplied six councillors but only two of them occupied positions at town level. The Socialist Party was represented in the municipal council through one representative, and he was Secretary of the Town Socialist Party. Though Congress (O) had two councillors on the municipal council none of them occupied any party post either at the district or town level.

In the course of interview, some cases of defection in municipal council were also noticed. For example, both the councillors belonging to Congress (O) joined the Congress Party within a year of their election as municipal councillors. The reason for joining the Congress Party, according to them, was that Congress (O) had no future in the State politics.

One Jana Sangh councillor, who defied the party directives at a municipal council meeting, was expelled from the party and since then he functioned as an Independent councillor.

PARTICIPATION IN POLITICAL MOVEMENTS

Table below shows that a large number of councillors (as many as twenty four, or 70.79 per cent of the total) had participated in a variety of agitations or movements. Non-participants' number was nearly one third (ten *i.e.*, 29.40 per cent of the total).

Table 5

PARTICIPATION IN POLITICAL MOVEMENTS

<i>No. of Participants</i>	<i>Indian Freedom Movement</i>	<i>Trade Union Movement</i>	<i>J.P. Movement</i>	<i>Agitation with Regard to Municipal Problems</i>
Participants : 24	1	6	20	12
Percentage to total :				
70.79	3.00	17.7	59.3	35.3

Note: The number of councillors total up more than thirty-four or the percentage total up more than 100 because a number of councillors have taken part in more than one agitation or movement and hence appear in several groups.

The Congress, Communist and Jana Sangh councillors scored high so far participation in political movements were concerned as against the Congress (O), Socialist and Independent councillors. The behaviour of non-participants was not fully politicized, being pre-occupied with their individual professions.

FREEDOM MOVEMENT

Only one councillor, S.B.P.³ or 3 per cent of the total, participated in the freedom movement. He belonged to the Congress Party. He participated in freedom movement under the leadership of late Dr. Anugrah Narayan Sinha. Apart from helping other freedom fighters and particularly, his jail-going friends, he himself was sent to jail twice along with late Anugrah Babu. At present he was receiving a pension of Rs. 200 per month under freedom fighters' pension scheme. He was always at the forefront in leading agitations of public concern.

³Fictitious names have been used for explanation purpose.

TRADE UNION MOVEMENT

Six councillors, or 17.7 per cent of the total, helped greatly to build up the trade union movement in the city. Four of them were Hindi speaking Hindus, one Urdu speaking Muslim and another one Punjabi an Urdu speaking Punjabi. Out of six three belonged to the Congress Party, one to the Communist Party and two to Jana Sangh. Three of them organized the octroi workers' union. One was the President of the rickshaw-pullers' union and the other two had associated themselves with the handloom weavers' union. On many occasions they organized municipal employees' strike. Many a time the president of the rickshaw-pullers' union organized strikes against the rickshaw owners.

J.P. MOVEMENT

The J.P. movement of March-April, 1974, in Bihar is well known. Though it originated in Patna after the police firing at Gaya, it immediately switched over to Gaya. And Gaya ultimately became the centre of this movement. Schools and colleges were closed *sine die* and the official work was completely paralysed due to staging of dharna at the district, sub-divisional and block headquarters. The municipal councillors of Gaya could not remain silent. As many as twenty councillors participated in the movement as active agitators or organizers.

However, the councillors were seen divided on two opposite ideologies. Ten Congress and two Communist councillors were canvassing support for ending the movement. They termed the movement as anti-people, anti-democratic and anti-national launched by right reactionaries to subvert the democratic functioning of the government. They mobilized appreciable support for their cause and staged *dharna* to end the movement near Gandhi Mandap at Gaya Chauk.

On the other hand, the remaining eight councillors, mostly belonging to Jana Sangh, Socialist and some Independents tried their best to fan the movement through their active support to it.

AGITATION FOR GRIEVANCES REDRESSAL

As many as twelve councillors took part in such activities. As a matter of fact all of them belonged to the Congress Party and were opposed to chairman of the Municipality. The chairman was a businessman of the city, who managed to win over the support of some Independents. But the twelve councillors were determined to vote him out of power and as such they always tried to create problems for him in municipal administration. However, it is noteworthy that these councillors had carried on agitations for forcing attention on some of the most pressing municipal problems. The group was

led by Mr. J.K.P., who was on the teaching staff of Magadh University; he was also the general secretary of the D.C.C. They had often agitated for better water supply, reduction of taxes and slum clearance. On many occasions they had agitated against the high-handedness of the chairman. They were very critical of the executive officer of the municipality. In their opinion he was corrupt and believed in the divide-and-rule theory.

Table 6 indicates the councillors' membership of the various elective or representative bodies in addition to their membership of city municipality during the 1952-1973 period. The elective or representative bodies include the bodies like the district board, municipality, gram panchayat, citizens' council and college bodies.

Table 6

MEMBERSHIP OF REPRESENTATIVE OR ELECTIVE BODIES

<i>No. of Councillors</i>	<i>Position held</i>	<i>Elective or Representative Body</i>	<i>Period</i>
1 (3 per cent)	Member	District Board	1955-57
1 (3 per cent)	Vice-Chairman	Municipal Council	1952-54
1 (3 per cent)	Member (coopted)	Municipal Council	1952-54
1 (3 per cent)	Mukhia	Gram Panchayat	1964-68
2 (6 per cent)	Member	Citizen's Council	1971-73
1 (3 per cent)	Common Room Secretary	Gaya College, Gaya	1968-69
1 (3 per cent)	Secretary, Athletic Society	Gaya College, Gaya	1965-68

Of the thirty-four councillors, only eight, or 23.5 per cent of the total, were members of such elective or representative bodies. All the members who occupied elective or representative posts belonged to Congress Party. Of the eight councillors, one was the member of District Board, two of Municipality, one of Gram Panchayat and remaining two of college representative bodies. Out of eight, three were elected members and rest five were either coopted or nominated.

PERFORMANCE AT OTHER ELECTIONS

We have studied above the councillors' participation in political agitations or movements, their membership of the elective or representative bodies, etc.

It would be interesting to know the councillors' performance at other elections which some of them contested in the past. Knowledge of their performance at these elections would shed considerable light on their political careers and confrontations before they attained their present councillorships.

From Table 7 it becomes clear that, of the thirty-four councillors only three, or 8.8 per cent of the total, had experience of other elections. Mr. N.P.S., the present chairman of the municipality, contested elections for the Legislative Assembly seat as many as four times but all the times he was badly defeated. He also contested the parliamentary election of 1962. But this time too he was not only defeated but lost even his security deposit. One Mr. M.S.Y. contested the parliamentary elections of 1971 as an Independent candidate but he too lost his security deposit. However, Mr. N.P.S., who always faced defeat in the Assembly and parliamentary elections, got himself elected in municipal elections of 1952. Mr. R.R.S., who contested for the office of mukhia from Khizersarai Gram Panchayat, was elected in 1960. However, these contestants, particularly, Mr. M.S.Y. and Mr. N.P.S. had different motives in contesting the elections. While Mr. M.S.Y. contested the parliamentary elections to come in the limelight, Mr. N.P.S. contested the various elections just to remain in the mainstreams of power politics.

Table 7

PERFORMANCE AT OTHER ELECTIONS

<i>No. of Councillors</i>	<i>Elections Contested</i>	<i>Party on Whose Ticket</i>	<i>Year Result</i>
1 (3 per cent)	Municipal Council	Independent	1952 Elected
	Legislative Assembly	Independent	1952 Defeated
	Legislative Assembly	Independent	1957 Defeated
	Lok Sabha	Independent	1962 Defeated
	Legislative Assembly	Independent	1967 Defeated
	Legislative Assembly	Independent	1972 Defeated
1 (3 per cent)	Lok Sabha	Independent	1971 Defeated
1 (3 per cent)	Mukhia, Gram Panchayat	Independent	1964 Elected

CONCLUSIONS

The following conclusions can be drawn from the foregoing analysis of political and organizational backgrounds of urban leadership.

The leaders had a considerably rich political background and organizational experience. A very large majority (80 per cent) had some experience and background. They were members, leaders or organizers of the various caste and religious organizations, professional bodies, trade unions, cooperatives, educational institutions, sports and youth meets, clubs and so on. The number of those associated with professional bodies, educational institutions, and clubs was particularly large.

The leaders, except the minority of Independents, belonged to various parties and held various positions, such as president, vice-president, secretary, and executive committee members at various levels on which the parties operated—mandal, city and district.

Many of them had experience of working in the various socio-political and economic movements and agitations—the freedom movement, trade union movement, J.P. movement, and agitation against municipal executive officials. By participating in such movements and agitations, they acquired valuable political education and training in the use of techniques of organizing pressure groups, holding rallies, leading delegations and processions, organizing pickets and hartals and offering dharnas.

They also had the experience of working as nominated or elected members of the local government institutions, such as the district board, citizens' council or gram panchayat. A few of them had the experience of working in the earlier municipal councils between 1952 and 1955.

Some of them were also well equipped with the experience of fighting elections. The election experience was likely to be all the more instructive as all of them uniformly lost the elections to Legislative Assembly and Lok Sabha.

Personnel Administration in the Municipal Corporation of Hyderabad

A. AMRUTH RAO*

CITY governments represent the microcosm of Indian Democracy and for long they have been fruitful instrumentalities of civic services to the community. The recent large-scale growth in urban population consequent to modernization and industrialization has set greater responsibilities on cities of providing not only those essential services conducive to social and economic growth, but also to create suitable conditions for socio-cultural adaptation. Effective and successful implementation of plans and the capacity to accept additional and newer challenges by any civic institution (or for that matter by any other institution) largely depends on the calibre and competence of personnel in an institution.¹ Further, maintenance and development of adequate manpower with needed skills and growth potential depend upon the personnel policy an institution adopts.

In this article an attempt is made to trace out various developments that took place in the sphere of Personnel Administration of the Municipal Corporation of Hyderabad, and also to critically examine the relative merits and demerits of each development, besides highlighting their major impact on the Municipal Personnel Administration.

The governance of the city administration, so far, has rested on three Municipal Acts, including the current one. Since each Act has introduced different changes in the sphere of Municipal Personnel Administration, they are discussed in three phases, each representing an additive element of change.

PERSONNEL ADMINISTRATION UNDER THE HYDERABAD² MUNICIPAL ACT NO. XII OF 1342 FASLI (1932 A.D.)

In the administration of the civic affairs, His Exalted Highness, the Nizam

* I am grateful to Dr. P.A. James, Prof. & Head, Department of Public Administration, P.G. Centre, Warangal and Shri J.V. Raghavendra Rao, Lecturer, Department of Sociology, Osmania University, Hyderabad, for their valuable comments and suggestions.

¹S. Beach Dale, *Personnel—The Management of People at Work*, Collier-Macmillan Ltd., London, 1970, p. 216.

²The Hyderabad Municipal Act No. XII of 1342 Fasli (1932 A.D.) hereinafter referred to as The Act.

of Hyderabad, for the first time, introduced far-reaching changes through the enactment of the Hyderabad Municipal Act No. XII of 1342 Fasli (1932 A.D.). The provisions concerning administration of the municipal personnel are discussed in the following paragraphs:

The Act conferred the power of recruiting personnel to the civic institution on four authorities, viz., the Government, the Municipal Corporation, the Standing Committee and the Municipal Commissioner. Among these authorities, the power has been so diffused that they represent a graded hierarchy in the scale of ascending order of status and salary of the officials, with a provision that recruitment made by any authority was subject to the approval of the authority immediately superior to it.³ Since each recruiting authority's jurisdiction encompassed a different category of personnel with different status, salary and functions, it is proposed to discuss each authority power-structure separately.

Recruitment

The Government : The authority to recruit personnel within the salary range of Rs. 1,000 to Rs. 1,200 and above was enjoyed by the Government. The Municipal Commissioner, the topmost official of the civic body, fell within the above salary range. The intention of the Government seems to be to exercise control over this key position so that its own official be at the helm of the civic affairs, and he could look to the Government's support and cooperation in times of crisis and emergency. Another consideration could be that the Government wanted to prevent political pressure in the selection of the official and wanted him to function without fear or favour. The system, while it insulated the Municipal Commissioner from politics and possible pressures and pulls, deprived the civic body to have a say in his selection, thus, encroaching on its autonomy.

The Municipal Commissioner was appointed by order of His Exalted Highness for a renewable period of five years.⁴ The power to remove him from office was shared both by the Government and the Municipal Corporation.⁵ He was entitled to receive a monthly salary ranging between Rs. 1,000 to Rs. 1,200⁶, and in the event of being in office continuously for a period of five years, the salary could be raised to a sum not exceeding

³The Standing Committee is deemed to be the authority immediately superior to the Municipal Commissioner, the Corporation to the Standing Committee, and the Government to that of the Corporation.

⁴The Act, Sec. 43 (1).

⁵The Government was empowered to remove the Municipal Commissioner from office, if he appeared to be incapable of performing his official duties or has been guilty of any misconduct or neglect. The Corporation could submit to the Government a proposal for removal of the Municipal Commissioner, if twenty members had voted such proposal. *ibid.*, Sec. 43(2).

⁶*ibid.*, Sec. 41 (i).

Rs. 1,500. He was the full time officer of the Corporation and required to discharge such duties as prescribed in the Act or any other enactment that was in force.

The Municipal Corporation : It occupied the highest position in the structure of the Corporation and important posts like the Executive Engineer and the Health Officer which carried a monthly salary ranging between Rs. 700 to Rs. 1,200 were within the purview of the Municipal Corporation. Since these posts ranked immediately below the Municipal Commissioner, in importance, care had been taken to give them a statutory basis and qualifications⁷ were prescribed in the Act itself, and these appointments, consequently, required approval of the Government. In the first instance, officials were appointed for a period of seven years, and further extension of service was to be decided⁸ on by the Municipal Corporation. The procedure prescribed for removal of the officials holding the above posts was quite interesting. To ensure that the Corporation may not abuse its authority in the removal of officers, any proposal was first to be supported by not less than two thirds of councillors present and voting, and later on it was submitted to the Government for its approval.⁹

The powers bestowed upon the Corporation appear to reflect a balanced approach to the problems facing the municipal administration, viz., the municipal autonomy and the Government's control. But, the disadvantages were that the Corporation could not appoint persons on a salary higher than Rs. 700 to Rs. 1,200 and could not expect to have personnel of higher calibre and competence. The power of approval of the appointments and removal of the officials had a deterrent effect on the free exercise of the powers of the Corporation.

The Standing Committee : The Standing Committee which occupied a middle grade in the recruitment levels was empowered to appoint the Municipal Secretary on a monthly salary of Rs. 300 to Rs. 500¹⁰, and clerks and servants immediately subordinate to him, and determine the nature and amount of salary, fees, allowances payable to them and prescribe their functions and duties.

Amongst the appointments made by the Standing Committee, the appointment of Municipal Secretary assumed special importance. He was the Secretary of the Corporation and of the Standing Committee, and all papers and documents connected with the proceedings of both these bodies were kept under his custody. His official duties emanated from two main sources: one as laid down in the Act, and the other, as prescribed from time to time by the Corporation and the Standing Committee. He could be removed from

⁷The candidates for the said posts should either hold a University degree/diploma or possess experience in their respective fields. *ibid.*, Sec. 59(1).

⁸*ibid.*, Sec. 59 (2) a.

⁹*ibid.*, Sec. 59 (2) d.

¹⁰*ibid.*, Sec. 61 (1) and (2) d.

office by the Standing Committee for misconduct or neglect of official duties with the approval of the Corporation.¹¹

The Municipal Commissioner : The Municipal Commissioner, who was the lowest recruiting authority in the hierarchy, had powers to recruit those municipal officers and servants whose monthly emoluments did not exceed Rs. 100.

The recruitment powers given to the Municipal Commissioner were not commensurate with his administrative responsibilities. While he was made responsible for efficient management of the civic affairs and for omissions and commissions thereof, the corresponding authority to recruit and maintain the staff necessary to discharge his official duties, had been denied to him, thus, rendering him ineffective. He should have been endowed with wider powers of recruitment and control over the municipal establishment.

Disciplinary Proceedings

The four recruiting authorities, viz., the Government, the Corporation, the Standing Committee and the Municipal Commissioner¹² could fine, reduce in rank, suspend or dismiss any officer and servant appointed by them for disobedience, carelessness, misconduct and neglect of duty. But, to avoid misuse or abuse of the disciplinary powers conferred on each authority, certain safeguards were provided in the Act. The Municipal Corporation, without the consent of the Government, was not to initiate any action to reduce, suspend or dismiss any employee whose initial appointment was subject to the approval of the Government. So also, the Standing Committee was not to take any such action on any employee whose monthly emoluments did not exceed Rs. 300¹³ unless the Corporation approved of such an action. It could, however, fine any employee. The principal advantage of incorporating such provisions in the Act was to prevent the authorities from acting arbitrarily while taking any disciplinary action, and also to create confidence amongst the employees of the soundness of the procedure.

The developments since dissolution¹⁴ of the City Corporation till the enforcement of the second Municipal Corporation Act of 1950,¹⁵ have made a major impact on the city administration, resulting in the Government assuming full powers and exercising its control on all aspects of civic life.

¹¹The candidates for the said posts should either hold a University degree/diploma or possess experience in their respective fields. Sec. 61 (2) e.

¹²The Procedure to be followed to take disciplinary action was that the authority competent to appoint any officer or servant may institute disciplinary proceedings. *ibid.*, Sec. 67 (1).

¹³*ibid.*

¹⁴The conflicts that took place between the Government and the Corporation, resulted in the dissolution of the Corporation in the year 1944. For details, see: James, P.A., *Municipal Administration in Andhra Pradesh*, 1966, a Ph.D. thesis (unpublished).

¹⁵The Municipal Corporation Act of 1950, came into operation from 14-4-1951.

While the city administration was thus subjected to be regulated by the Government, the principle of separation of executive functions from the deliberative, for ensuring greater efficiency and productivity, began to be felt by the urban policy personnel and the administrators. In the meanwhile, to meet the situation arising out of such a development, the Government of Hyderabad constituted a separate service known as 'The Dominion Cadre Service' to function under the control of the Government. To defray the expenditure incurred on this service, a separate fund called 'The Dominion Cadre Fund' was also established.¹⁶ In the first instance, the services of the personnel under the Dominion Cadre were made available to the District Boards, Town and City Municipalities.¹⁷

The Dominion Cadre Service was neither a municipal nor a Government service as the expenditure on the Service was not a charge on the Municipal Fund or the Consolidated Fund of the State. A separate Budget for the Service was required to be prepared every year which needed approval of the Chief Minister. The vote of the State Legislature was, however, not required.

Though the Dominion Cadre Service proved to be useful and rendered an efficient account to the local bodies, yet the percentage of contribution fixed was so high that a major portion of the local bodies income was to be spent towards meeting the establishment expenditure. Had the percentage of contribution so fixed as to reflect only the actual expenditure of the Dominion Cadre Service, it would have greatly facilitated the local bodies to reduce their financial burden.

Meanwhile, it was interesting to observe that the City Corporation was exposed to the twin problems of increasing lag of norms of efficiency in regard to financial and administrative matters. This obviated the necessity on the part of the Government to appoint a Committee¹⁸ in 1947, to enquire into these problems, and suggest ways and means by which the situation could be improved. The Committee *inter alia* made a number of recommendations concerning reorganization of general administration; improving municipal revenues; the method and machinery of tax collection and the accounting system. The Committee also suggested¹⁹ extension of Dominion Cadre Service

¹⁶Gopal Rao Ekbote, *Report on Local Government Administration in Hyderabad State*, Government of Hyderabad Publication, 1955, p. 35.

¹⁷The local bodies were required to contribute from their income towards the Dominion Cadre Fund as follows : (*ibid.*, p. 37).

S. No.	Types of Local Bodies	Percentage of Contribution (Per cent)
1.	District Boards	8
2.	Town Municipalities	7½
3.	City Municipalities	12½
4.	Municipal Corporations	12½

¹⁸See M. Lokanadham, *Report on the Hyderabad Municipal Corporation* (Mimeographed), 1948.

¹⁹*ibid.*, p. 78.

to the Municipal Corporation to give benefit of experienced officers; to facilitate free transfer from the civic institution to another and to draft fresh men into the service whenever needed.

Extension of the Dominion Cadre Service to the Municipal Corporation

The Government accepted the recommendation of the Committee and extended the Dominion Cadre Service to the Municipal Corporation in the year 1949. The Service was directly under the management of the Government, and the Government alone exercised the power to appoint, dismiss, transfer and to take disciplinary action over this Service. Later, the terms, Dominion Cadre Service and the Dominion Cadre Fund, have been changed into the Local Government Service and the Local Government Service Fund respectively.

The Advantages of the Dominion Cadre Service were as follows:

- (1) The constitution of service made possible separation of deliberative and executive functions, and constitution of the Executive Wing with a set of competent and qualified personnel.²⁰
- (2) The Government could depute State borne officials to the civic institutions, to tone up the administration as the calibre of the municipal employees was considered to be low. The constitution of the Dominion Cadre Service gave legal and operational structure to this idea.
- (3) Since the officials belonged to a separate cadre, they enjoyed operational freedom and were insulated from political pressures.
- (4) As the officials borne on this cadre were liable to transfers throughout the State, the development of vested interests could be minimized.
- (5) Since they were exposed to State-wide problems, they could exhibit broader outlook in dealing with the local problems.

The disadvantages of the new Service were:

- (1) The officials as members of the Dominion Cadre, naturally owed their allegiance to the Government, and correspondingly their concern and commitment to the civic institution was less leading to an undermining of the civic authority.
- (2) They were not in a position to identify and appreciate the local problems.
- (3) It was difficult for the civic body to convince the officers about the necessity and execution of certain plans beneficial to the institution.²¹

²⁰Gopal Rao Ekbote, *op. cit.*, p. 35.

²¹Cf. D.P. Singh, *Centralisation of Municipal Services*, a research paper submitted to the Orientation Course in Urban Administration, Department of Public Administration, Osmania University, Hyderabad, June 1967, p. 6.

The Dominion Cadre Service as expected had its positive impact on the Municipal Corporation. The status of the Municipal Corporation in the eyes of the general public had gone up. Better personnel to man the executive and administrative posts were available. The Service helped to reduce concern and anxiety of the Government for proper functioning of the Municipal Corporation. The Government could have its say in the affairs of the Municipal Corporation. As expected, the Service on the whole promoted efficiency of the local bodies.²²

The Service also affected the Corporation in a negative way:

- (1) The constitution of Service and its operation in the Municipal Corporation had led to the deterioration of morale among the subordinate staff.
- (2) The constitution of the Service restricted the promotional opportunities of the municipal employees. Supervisors and Sanitary Inspectors who belonged to non-gazetted cadres were also included in this Service. This was an anomaly and they should not have been included so. But, it was alleged that inclusion of the Supervisors and the Sanitary Inspectors would leaven the promotional avenues of the staff. On the whole, even if it were to be so, the benefit was marginal, and thus, it could not be considered as an avenue, beneficial to a majority of the staff.²³
- (3) The Corporation was required to contribute 12½ per cent of its income to defray the expenditure on the Service, which was a heavy burden on its limited financial resources.

The civic institution was given the status of Corporation for the first time in the year 1932. In terms of personnel, the Government and the Corporation were clearly demarcated. The Municipal Commissioner continued to be appointed by the Government. The appointment power of the Corporation was considerable for it was empowered to appoint personnel within the salary range of Rs. 700-1200. Similarly, the Standing Committee also exercised considerable powers of appointment.

The Corporation and the Standing Committee were vested with disciplinary powers over the staff whom they appointed.

Under the circumstances prevailing then, the introduction of the Dominion Cadre Service in the Corporation could be termed as an innovative step. For, by that time the Corporation was dissolved by the Government for its ineffective functioning, and a special officer was appointed to man the Corporation—the presence of the Dominion Cadre officials must have come in handy to tone up the municipal administration. The Dominion Cadre

²²Gopal Rao Ekbote, *op. cit.*, p. 36.

²³*ibid.*, p. 37.

Service introduced, then, continues even today though under a different name. Though a case for its continuance still exists, the constitution and structure of the Service need to be suitably modified to keep in tune with the changed circumstances.

PERSONNEL ADMINISTRATION UNDER THE HYDERABAD MUNICIPAL CORPORATION ACT, 1950

The interim period between 1944-1951,²⁴ the country in general witnessed major political and administrative changes in the wake of Indian Independence. In the State of Hyderabad, after the Police Action, there was a great demand from the citizens for proper representation of members on the City Council, which resulted in the enforcement of the Hyderabad Municipal Corporation Act, 1950, modelled on the lines of Bombay Provisional Municipal Corporation Act. This Act came into operation from May 14, 1951, replacing the Hyderabad Municipal and Town Committees Act of 1941, that was in force during the interim period.

The Act introduced some novel features in the working of the City Corporation in general and in the sphere of personnel administration in particular. The Hyderabad Civil Service Regulations were made applicable to the municipal officers and servants so that they could be treated on par with the Government employees in all service matters. The Local Government Service was given a statutory basis to hold posts in any Corporation established under the Act, and each Corporation employing officers and servants of the said Service was to contribute 12½ per cent of its revenues to the Local Government Service Fund to meet the expenditure in respect of their salaries, pensions and gratuities.

Like the earlier Act, the Act of 1950 too recognized the Government and the three municipal authorities as recruiting agencies, and prescribed the minimum and the maximum salary limits within which each authority had to operate.

Though the recruiting powers bestowed upon each authority represented an ascending order of importance as was the case previously, it tended to be more in favour of the Government exercising a wider control over the Corporation personnel. The Government's jurisdiction extended to cover all top executive posts like the Municipal Commissioner, the Municipal Engineer, the Health Officer, the Municipal Examiner of Accounts, and the entire range of posts borne on the Local Government Service. The Government alone was empowered to appoint, dismiss, transfer and institute disciplinary proceedings against these officials.²⁵ In making appointments to other posts like the Deputy Municipal Commissioner and the Assistant Municipal

²⁴The period between the dissolution of the Corporation and the enforcement of the Hyderabad Municipal Corporation Act of 1950.

²⁵The Hyderabad Municipal Corporation Act, 1950, Sec. 41-a(2).

Commissioner, the Corporation was required to take the prior approval of the Government.²⁶ The Government retaining such wide powers over the Corporation's services might have been guided by considerations like the need to insulate the topmost posts from possible political interferences,²⁷ and prevent partisan politics in municipal recruitment. The Corporation could only recruit subordinate personnel. While services of experienced personnel were made available to the Corporation, the arrangement resulted in the curtailment of freedom of the Corporation in service matters.

Inasmuch as, the Corporation's area of recruitment was confined to the salary limits between Rs. 300 to Rs. 399²⁸ exclusive of allowances. Though creation of posts between Rs. 400 to Rs. 800²⁹ exclusive of allowances was left to the discretion of the Corporation, yet Government's prior approval in all such cases was a must.

The Standing Committee's field of recruitment was confined to all those municipal officers and servants whose monthly basic salary varied between Rs. 100-299³⁰ and to the creation of permanent office (with the previous approval of the Corporation) with a basic salary of Rs. 100. It was, however, authorised to determine the number, designations, grades, salaries, fees and allowances of officers, auditors, assistant auditors, clerks and servants subordinate to the Municipal Examiner of Accounts and the Municipal Secretary.

The Municipal Commissioner could recruit municipal officers and servants whose basic salary was below Rs. 100. He could with the previous approval of the Standing Committee, make temporary appointments for loan works carrying a monthly basic salary of Rs. 300 or more for a period of six months,³¹ and temporary appointments with a basic salary of Rs. 100 or more for a period of six months, subject to the condition that all such appointments were to be reported to the Standing Committee, and that no such appointment would be renewed by him without the Standing Committee's sanction.

Disciplinary Proceedings

The authority to take disciplinary action against an erring employee was vested in the appointing agency, subject to the following conditions.

The Municipal Commissioner as the Chief Executive Authority could impose any penalty—censure, withholding of increments or promotion including stoppage at an efficiency bar, reduction to a lower post or to a

²⁶The Hyderabad Municipal Corporation Act, 1950, Sec. 41-a (2).

²⁷M.A. Muttalib, "The Municipal Commissioner", *Public Administration*, London, Vol. 45, 1967, p. 292.

²⁸The Hyderabad Municipal Corporation Act, 1950, Sec. 48 (1).

²⁹*ibid.*, Sec. 46 (5).

³⁰*ibid.*, Sec. 48 (2).

³¹*ibid.*, Sec. 48 (1).

lower stage on a time scale, fine and recovery from salary of the whole or part of any pecuniary loss caused to the Corporation;³² on all municipal employees save those who were immediately subordinate to the Municipal Examiner of Accounts and the Municipal Secretary. He was not empowered to dismiss any municipal officer or servant whose basic salary exceeded Rs. 100,³³ without prior approval of the Standing Committee. Similarly, if the Standing Committee were to suspend any officer appointed by the Corporation, it was to report forthwith the reasons for such suspension to the Corporation.³⁴

The Municipal Examiner of Accounts and the Municipal Secretary could impose any of the above penalties on Municipal officers and servants immediately subordinate to them.³⁵ The aggrieved party had a right to prefer an appeal to the Standing Committee against the decisions of the Municipal Examiner of Accounts and the Municipal Secretary. Every employee was given adequate opportunity to explain his case before any action was initiated, and when not satisfied with the outcome, to prefer an appeal at the superior authority.

Though the Municipal Commissioner could initiate disciplinary proceedings against officers of the Local Government Service, yet the authority to exercise disciplinary control vested in the Government.

The appellate structure arranged in a graded way among the Municipal Commissioner, the Standing Committee, the Municipal Corporation and the Government, exhibited no advantages, except to afford an opportunity to the recruiting agencies to initiate disciplinary proceedings, and thereafter to leave the matters at the hands of another one. The consequences arising out of such an arrangement had deterrent effect on the effective functioning of the Municipal Commissioner on the one hand and the Municipal Subordinate Service on the other.

The important developments that took place in the sphere of personnel administration during the period under review were:

- (1) Statutory recognition was accorded to the Local Government Service.
- (2) The powers of appointment earlier granted to the Corporation had subsequently been drastically slashed. A reversal of the earlier trend.
- (3) Maintenance of *status quo* in matters of disciplinary powers exercised by the appointing authorities was an unabated feature.

³²The Hyderabad Municipal Corporation Act, 1950, Sec. 50 (1)c.

³³*ibid.*, Sec. 50 (1)a.

³⁴*ibid.*, Sec. 50 (1)b.

³⁵*ibid.*, Sec. 50 (1)d.

PERSONNEL ADMINISTRATION UNDER THE HYDERABAD MUNICIPAL CORPORATION ACT, 1955

The Act of 1950 was found to be inadequate in several respects, and, therefore, a legislation, incorporating progressive measures to effect economy and efficiency in the municipal administration became imperative. It was in this background, the Hyderabad Municipal Corporation Act, 1955³⁶ was enacted, which came into force from 15-2-1956.

The Act introduced some more changes in the sphere of personnel administration, specially in matters of recruitment. First, the Act widened the Government's jurisdiction not only to cover the posts provided for in the earlier Act of 1950, but also to include the post of the Municipal Secretary. While the Act of 1342 Fasli (1932 A.D.) empowered the Standing Committee to appoint the Municipal Secretary, the Act of 1950, transferred the post to be recruited by the Corporation, and the Act of 1955, to the Government. The Government could appoint suitable persons to be the Superintending Engineer, Chief Town Planner, Divisional Engineers, Assistant Engineers, Assistant Town Planning Officers, Architects, Inspecting Officers or any other officers for the whole or any part of the State.³⁷ Thus, all top and middle level managerial posts in the Corporation have virtually come under the control of the Government.

Depriving the civic body from employing personnel of its choice to the important positions, resulted in weakening the position of the Corporation, and the Government gaining a greater control over the municipal personnel. The Corporation losing its autonomy in personnel matters, viewed in the context of present trends, is neither a welcome step nor a feasible proposition.

CONCLUSIONS

In the pre-1932 period, neither the municipal institution was properly established nor the municipal functions clearly defined. Therefore, the scope for development of personnel administration was absent.

After the Corporation was established in 1932, a significant development was the constitution of the Dominion Cadre Service, which affected the Corporation both positively and negatively in matters of personnel administration.

If the development of personnel administration is traced from its inception to the present day, one can witness the greater jurisdiction of recruitment and powers of appointment enjoyed by the civic institution being successively slashed, and correspondingly the Government gaining control over the

³⁶The Hyderabad Municipal Corporation Act, 1955 (Hyderabad Act No. II 1956). It is an exhaustive document containing in all twenty three chapters, out of which a part of chapter II and the entire chapter IV, deal with various aspects of personnel administration.

³⁷*ibid.*, Sec. 132 (1).

Corporation and its personnel. This was, to be sure, an undesirable step. It must have taken place for a variety of reasons. There were conflicts between the Government and the Corporation, which resulted in the dissolution of the Corporation. Thereafter, the Government wanted to have more say and closer control over the Corporation, and thus, restricted the recruiting jurisdiction of the municipal authorities, viz., the Corporation, the Standing Committee and the Municipal Commissioner. This trend continues even now.

Rapid industrialization and urbanization and the rate at which the city's population is increasing on one hand, and in the wake of the State shifting its emphasis from the regulatory functions to the development, the variety and magnitude of the problems the Corporation has to face, and the services it has to provide to the citizens on the other, necessitate Government restricting its powers of recruitment to only those posts up to the level of Selection Grade in the Local Government Service. It is suggested that the Corporation should be empowered to recruit personnel up to the first grade (Rs. 600-1000). This, if done, will help Corporation to function as an effective autonomous local body and recruit personnel of higher calibre and competence, and maintain high morale in the rank and file of the Municipal Service.

Local Government in Sweden

HARBANS PATHAK

SWEDEN is the largest of the Scandinavian countries and the fourth largest in Europe. It is a constitutional Monarchy with a Parliamentary form of Government.

The concept of municipality (kommun) was established in Sweden through the Municipal Administration Act of 1862. At that time it was realized that the fulfilment of certain municipal duties called for larger administrative units when the regular municipalities which, areawise, correspond to the old parish divisions. This led to the organization, in each province, of a municipality under the administration of a County Council (landsting).

VARIOUS TYPES OF MUNICIPALITIES

The result was that three types of municipalities were created:

- (1) Civil municipalities (rural municipalities boroughs).
- (2) Ecclesiastic municipalities (Parishes).
- (3) County council municipalities.

The first two are considered primary municipalities while the third is called a secondary municipality.

A distinction is drawn here between three types of municipalities : primary municipalities, secondary municipalities, and special municipalities.

Primary municipalities fall into two categories—civic and ecclesiastical. Today there exists only one type of civic primary municipality, earlier distinctions between cities, boroughs and rural municipalities having been erased from legislation and been replaced by a single uniform concept: the municipality (kommun). An ecclesiastical primary municipality is called a parish (forsamling).

A secondary municipality corresponds to the field of jurisdiction of a county council. Usually it comprises a single county, comprehending several primary municipalities. The civic primary municipalities of Gothenburg, Malmo and Gotland, do not come under a county council, and the administrative duties which normally devolve upon a county council—notably

the provision of medical and health services—are carried out by the municipality.

A special municipality is an association of municipalities. These have been established in order to take care of certain special administrative tasks on behalf of two or more primary municipalities.

Local self-government by means of municipalities is basic to Swedish democracy. Though its traditions are of ancient date, in its modern forms its foundations were laid by the Municipal Administration Act of 1862. Since then municipal self-government has grown steadily, both in importance and scope, until today the municipalities (*kommun*) are responsible at local and regional level for a great number of vital social tasks.

Municipal self-government provides excellent conditions for the citizen to make his presence felt in public affairs. In this way he can influence both the form and the direction taken by such social activities as affect him, inasmuch as his municipality is the social organization which is closest in touch with his individual problems. Further, important social tasks can be decentralized, allowing society's functions to develop at local level according to a variety of local needs and conditions.

The municipalities have also become important executive organs for social reform policies. The distribution of tasks within the public sector as between central Government and municipalities has leaned more and more heavily on the latter, and since the mid-1950's the municipal share of the GNP has surpassed that of the central government.

MUNICIPAL BOUNDARIES

At the time of the 1862 municipal reform, the country's division into municipalities followed the lines of old church parishes. The municipalities then amounted in number to about 2,500, a distribution which persisted until the early 1950's. Then a new reform reduced their numbers to about 1,000. Despite the massive reduction in numbers, yet another reform was carried out in the late 1960's and early 1970's, still further reducing the number to 278 (in 1974).

One main reason for these thorough reforms in the municipal boundary and allocation system has been population movements which have progressively swelled the urban areas at the expense of an ever more depleted countryside. By reducing the number of inhabitants in certain rural municipalities this population movement diminished the basis for the municipal public services, at the same time as the demands placed on certain of these services were growing. This made it extremely difficult for the small municipalities to provide their citizens with an acceptable level of service.

Thus, in order to avoid nationalization of various administrative tasks and duties and to maintain municipal self-government, it became necessary to revise the whole municipal boundary system.

The country's division into parishes, on the other hand, has undergone no notable changes. At present there are some what more than 2,500 parishes.

JURISDICTION OF THE MUNICIPALITIES

In three of the Municipal Acts the limits of municipal jurisdiction are defined as follows: "The municipality shall, in accordance with the rules of this Act, handle its own affairs insofar as the handling thereof does not, according to current law, come under the jurisdiction of other administrative body. For certain municipal affairs, special legislation will apply."

The first sentence defines the limits of the municipality's general jurisdiction under the Act, while the second indicates the duties and authority devolving upon a municipality under this special legislation, its so-called 'specially regulated' competence.

The paragraph provides in outline a general framework for the municipalities' field of jurisdiction. But developments have been swift and often place new and heavier demands on local government. Thanks to the generalized nature of the rule governing jurisdiction it has been possible successively to adapt activities to the actual needs of the population.

By 'own affairs' is meant that a municipality's activities must meet its own and its inhabitants' needs. This is not to say, however, that they must necessarily meet the needs of all its inhabitants. Where suitable, a municipality can undertake a project affecting only some of them. On the other hand, a municipality may not indulge in speculative business, purely for profit. But it is permitted to engage in commercial activities if their purpose is to provide the inhabitants with certain utilities or services, for instance transportation, electricity and heating, etc. The rates charged by such public utility companies, however, may not yield a profit.

By the expression other administrative body is meant that a municipality may not engage in activities falling under some other authority's jurisdiction, *i.e.*, of the central government, the county council or the church.

Specially regulated jurisdiction covers a number of activities to which special legislation applies. A municipality's tasks can either be mandatory or voluntary. The Social Assistance Act, for example, imposes certain tasks on municipalities, whilst the decree concerning central government grants-in-aid to child centres merely authorizes municipalities to take certain measures within this non-mandatory sector.

In certain instances these laws contain detailed regulations concerning the manner in which a given activity shall be carried on, and how it shall be organized. In others again the rules are formulated in a more generalized manner, leaving scope for municipal initiative. Yet the special legislation always imposes minimum demands on mandatory activities.

ROLE OF A MUNICIPALITY

Primary Municipality

Almost the entire Swedish public education system is municipally administered, whilst universities and colleges are administered by the Central Government and most folk high schools by county councils. In order to achieve nation-wide uniformity in education, the schools system is regulated in detail by the Education Act and Education Statute and by the establishment of fixed curricula. Even though the central government makes massive grants-in-aid, in most municipalities the educational system is the heaviest single administrative expense. Direct responsibility for schools within the municipality lies with the Education Committee.

Municipal welfare, too, is regulated by a number of laws and regulations. Under the Social Welfare Act, municipalities are obliged to ensure that all persons residing within their boundaries shall receive such care and assistance as they may need.

Municipal child care is in high degree prophylactically oriented. A municipality can also take charge of such children as are in need of care and attention. One comprehensive field here is day-nurseries and leisure-time centres for children of gainfully employed parents.

Municipalities are also obliged to take care of the aged. Old age homes are provided for those old people who are in need of permanent care and attention, whilst those whose needs are only intermittent care can receive help at home from municipally employed 'home samaritans'. Similar help is given to families with children.

Many municipalities also offer a comprehensive service to the handicapped, e.g., special transport arrangements, delivery of food and library books, etc. The responsibility for a municipality's welfare activities falls either on a Central Board for Social Welfare Services or a Social Welfare Board, a Child Welfare Committee and a Temperance Board.

Municipalities are also responsible for local planning. One aspect of this is to ensure that land is available for building and that plans are drawn up to show where, when and how such building may take place. The municipalities are likewise responsible for ensuring the construction of new buildings. The administration of Central Government loans for housing construction is also their responsibility. Building planning is regulated in detail in the Building Act and Building Statute. Building plans are drawn up by, and permission is granted by, a special municipal organ—the Local Building Authority.

Municipalities are also heavily engaged in road and street construction and in laying out public parks. The Municipality is responsible for the building and upkeep of streets and roads within any area falling inside a town plan. The Central Government is responsible for those roads which link various communities.

The Fire Prevention Act imposes on every municipality the duty of supporting a fire brigade, as well as making regular fire safety inspections. Usually these duties are administered by a special local fire authority.

A field which has grown extensively in recent years is the provision of recreational facilities. Opportunities for physical recreation are being provided by the establishment of municipal sports grounds and stadiums, swimming pools, etc. A large segment of a municipality's commitments in the recreational field consists of economic aid to the activities of sports and athletic associations. Here there is no restrictive or mandatory legislation, and in most municipalities such matters are supervised by a recreation board.

Libraries dominate the cultural field, another non-regulated sector. In recent years many municipalities have set up their own culture boards.

The municipalities' duties in matters of public health are regulated by various legislation. One such task is to maintain hygienic standards and prevent pollutions, *e.g.*, of air or water, to control excessive noise-levels, maintain a certain standard of housing, check hygiene standards in food shops and combat infectious diseases.

County Council

Far and away the largest task of a county council region is public health and medical care. Certain training hospitals apart, and if we leave out of account those municipalities which do not come under a county council, virtually the whole Swedish public health service and, today, even mental hospitals and the care of the mentally retarded, is administered by county councils.

Institutionalized medical services are largely provided by hospitals. But persons suffering from chronic physical ailments are cared for in sanatoria, epidemic hospitals and special homes for the chronically sick. Psychiatric care is provided at psychiatric clinics in hospitals, mental hospitals or homes for the mentally retarded. Regional hospitals exist for highly specialized care of physical illness. The whole of Sweden is divided into seven regional hospital areas.

For non-institutionalized medical care a county council region is divided into medical districts, each of which employs at least one district physician. There are also district nurses, responsible for providing medical care in homes and advice and information in medical matters.

Pre-natal and post-natal care is provided for both mothers and children. The county councils employ district midwives and provide a comprehensive service of maternity and baby clinics.

A special service exists for the prevention of tubercular disease. County councils arrange population-wide X-ray examinations.

Another county council responsibility is dental care. Here the prime goal is to ensure that all children shall receive regular check-ups and dental

treatment. Where the facilities permit, older persons also qualify for such care.

A county council's involvement in education takes the form of schools for the mentally handicapped, training colleges for medical personnel, and folk high schools.

As from January 1, 1971, the Stockholm Municipality has fallen under the jurisdiction of the Stockholm County Council. The special circumstances of this major region have imposed on this county council the duty of providing public transport within Stockholm county, overall planning of water supply and drainage, regional planning, distribution of building quotas and overall planning of housing construction as well as planning higher secondary education levels.

Parish Board

The legislation governing parish boards defines a parish's tasks. Among them are:

- (a) "the provision and care of a church, burial ground, parish hall, dwellings for parish officials and other property intended for ecclesiastical purposes;
- (b) measures to promote divine service and the propagation of the faith in general, and the provision of Christian activities among children and young people, among the aged, the sick, and others who are in need of care; and
- (c) the provision of salaries for a clergyman, a church musician and other personnel."

The care of churchyards and cemeteries may be transferred to the civic municipality, subject to central government decision.

THE MUNICIPAL ORGANIZATION

A fundamental principle of municipal administration is that it is directed by elected representatives. Formerly, these representatives themselves carried out most of a municipality's tasks. But as municipalities have grown in size and ever larger duties have been imposed upon them, more and more local government officials and staff have had to be employed in an executive capacity. Another result of the increase in size of the municipalities has been a sharp drop in the numbers of representatives. Today some 600,000 persons are employed by municipalities, as against an estimated 40,000 elected representatives.

Primary Municipalities

Each municipality has a decision-making organ. In the primary municipalities this is the municipal council (*kommunfullmaktige*). The council members are directly elected by the population at general elections. Under the Municipal Administration Act, the number of representatives shall be as follows:

<i>Population</i>	<i>Minimum number of representatives</i>
20,000 or less	31
20,000—40,000	41
40,000 to 60,000	51
more than 60,000	61

The number of municipal council members in Stockholm is 101, and in Gothenburg 81.

The municipal council makes all important decisions of principle. It fixes the goals for each field of activity, outlines the manner in which those goals shall be reached and allocates and distributes the requisite resources.

Under the Municipal Administration Act, administration and execution is the duty of the municipal board and other subsidiary boards, and authorities. The municipal board acts as a kind of government for the municipality. It is responsible for the municipal economy and for long-term planning. All issues to be decided within the municipal council are first prepared by the board, this being a condition for its ability to coordinate municipal activities. The municipal board also has a right to insight into the activities of the other boards and authorities, though its control over them is limited in principle to the right to make comments and give advice and directives. Usually the municipal board consists of between 11 and 15 representatives.

Certain special municipal legislation requires the existence of a special local authority for particular activities; an Education Committee, a Public Health Committee, etc., responsibilities which, however, may in certain cases devolve upon some other municipal body. The municipal board, for instance, functions temporarily as an unemployment authority, a fire protection authority, etc. In non-regulated fields a municipality is at liberty to decide which local boards or authorities it will set up and what their tasks shall be. These are known as facultive boards (*e.g.*, for recreational activities, culture, etc.).

In recent years more and more municipalities have begun to employ one or more of their representatives on a full time basis. The growing burden of

municipal activities has made it hard for a representative holding a central position to combine his civic functions with his civil employment. Where there is only one such full-time representative, he is usually the chairman of the municipal board: where there are more, they are often board members, as well as chairmen of various subsidiary boards and local authorities.

To assist the municipal representatives in preparing and investigating important matters and in administering and carrying out projects the municipalities employ their own staff, organized in a number of offices.

County Councils

The organization and working methods of a county council are generally speaking similar to those of the primary municipalities. The decision-making body of the county council region is the county council (*landsting*). This corresponds to the municipal council in a primary municipality. Here the only stipulation concerning the number of county council members is that it shall be at least 20. The county council only holds one formal meeting each year, in October, when it passes its budget. In recent years it has become increasingly common, however, for county councils to hold one, or even two more meetings during the course of the year. Like municipal representatives county council representatives are elected at general elections.

The county council's board is called the executive committee (*forvaltning sutskott*). Under the Public Health Act, a county council region must appoint a special public health authority. Otherwise the county council has the right to appoint such boards and authorities as may be needed.

Parish Boards

A parish's decision-making organ is the parish's vestry or the parish assembly. As in the civic municipalities, parish councillors are roughly proportionate in number to the number of parishioners, varying between 15 and 40. The church council is the parish's board—the equivalent of the municipal board in a municipality and the executive committee in a county council.

SUPERVISION OF MUNICIPALITIES

Municipalities are supervised partly by the public, partly by central government organs. In addition, they have their own internal controls.

Complaints about municipal council decisions and decisions made by municipal boards and local authorities can be made by any member of the municipality. Such complaints are lodged with the county administration. They may be made on grounds stipulated in the Municipal Administration Act, as follows:

- (1) A decision has not been made in due form.

- (2) A decision conflicts with common law of current regulations or exceeds the municipality's jurisdiction.
- (3) A decision flouts the individual rights of the citizen or reposes on an unjust basis.

If the complainant is not satisfied with the county administration's decision he can appeal to the Supreme Administrative Court (*regerigsratten*), the highest court in the land in administrative matters. This court's decisions set precedents which provide guidance in the treatment of similar cases which may arise in other municipalities.

Decisions by the specially regulated boards may be appealed in certain circumstances. Anyone affected by such a decision may appeal against it, even someone who is not a member of the municipality. Here, too, special regulations in the Municipal Administration Act apply.

The specially regulated sector of municipal administration is more particularly the object of controls and supervision by various Government organs, both centrally and at county level. The most comprehensive of these controls is exerted in connection with scrutiny of the grants-in-aid for special purposes. As a rule, such a grant-in-aid can only be made on condition that the activity in question is carried on in accordance with special directives.

In order to be valid, certain municipal decisions must be subjected to the approval of a Central Government authority. Gradually, however, the range of decisions requiring such approval has been restricted, and today they relate chiefly to certain matters concerning loans and taxes.

The municipal council exerts control over its own administrative organs partly through the appointment of accountants, partly through the interpellations institute.

MUNICIPAL FINANCES

The expenditures of the municipalities are covered mainly by the municipal income tax. This proportional tax is levied independently from the national income tax but uses the same basis for taxation. Municipal tax rates are set by the municipality itself in connection with the passing of the municipal budget. These decisions are not subjected to the ratification by any national government authority.

A very important source of income for the municipalities are the grants-in-aid from the Central Government for various purposes; teachers' salaries, school construction, public institutions, some forms of social welfare and child care, fire protection, etc. A great number of special government subsidies exist. Municipalities with an exceptionally high rate of taxation may be awarded a special tax equalization subsidy.

The allotment of the special government subsidies is often dependent on the economic situation of the municipality, with regard to the number

of residents in relation to the total income tax. Other sources of income are revenues from municipally owned enterprises (*e.g.*, gas and electric works) and income from municipally owned housing.

For municipal loans the permission of the Central Government is required if the sum is considerable and the period of repayment exceeds five years. Municipal loans are most often raised in order to finance the capital expenditures of the municipality in connection with constructions for permanent use.

The expenditures of the county councils are covered by the county council tax which is levied by the council in the same manner and according to the same taxation rules as the regular municipal tax.

Parishes, like municipalities and county councils, have the right to defray their expenses by taxation if other sources of income prove insufficient. Anyone who has formally left the State Church has his title reduced by 40 per cent. The remaining 60 per cent is regarded as his contribution to the maintenance of churchyards and cemeteries, to the census work (which devolves upon the parish office), etc.

MUNICIPAL FEDERATIONS

Before July 1, 1968, the primary municipalities of Sweden were united in two different organizations: one for cities and boroughs and one for rural municipalities. On this date the two bodies merged into one under the name of the Swedish Association of Local Authorities (*Svenska Kommunförbundet*). Accordingly, there now exist only two national organizations representing units of local government: the other is the Federation of the Swedish County Councils (*Svenska Landstingsförbundet*).

These organizations, by their statutes, guard the common interests of their members, promote cooperation between them, and further knowledge of municipal affairs. Although the statutes say nothing about it, one of the chief functions of the federations is to act as a "lobby" to influence the Central Government to the greatest benefit of the member municipalities.

An activity that has increased considerably in recent years is negotiation of wages and working conditions for municipally employed workers and officers. The municipal employees have their own organizations. Municipal workers generally belong to the Swedish Municipal Workers' Union (*Svenska Kommunalarbetare-förbundet*) with more than 150,000 members. The municipal officers and clerks are organized in a number of unions, the largest being the Municipal Salaried Employees Union, Sweden (*Sveriges Kommunaltjänstemanna-förbund*). Negotiations are partly carried out centrally, between the municipal associations and the unions, and partly on a local level in which case the associations assist the municipalities. Through Central agreements, applicable throughout the nation, the municipal associations

are attempting to reach uniform conditions for municipal workers and officers in all parts of the country.

Of great importance to the municipalities is the aid in budget work and accounting the Swedish Association of Local Authorities is able to offer. Through a number of accounting specialists in various parts of the nation, the association is able to offer extensive help in these matters. The Association of Local Authorities also operates a corporation for central purchasing of equipment for municipal offices, schools, old age homes, etc., as well as literature of special interest to municipal servants.

It also has a School of Municipal Affairs in Sigtuna, north of Stockholm. The school offers courses in several branches of municipal activities for council members and officers in municipal service.

Finances of Calcutta Corporation : problems and prospects

R.M. KAPOOR

IN the post-independence India, 'the poor subsidizing the rich' can no longer be a part and parcel of any grand design or national strategy, wedded as we are to 'socialism', not only as a matter of our declared national faith, but as a matter of our national policies too—in all spheres of life.

In the matter of municipal finances, it would be but natural to expect that what Jawaharlal Nehru wrote about Allahabad of 1921-23 would no longer be relevant in India of 1976-77—for, apart from the 'local self-government' at the municipal levels, the country, today, is in its thirtieth year of 'self-government' at the national levels too.

But, at times, old habits and traditions take longer to change—more so, if either due to oversight or due to lack of indepth studies, the problems of the yesteryears have not been fully identified yet.

This study on the Municipal Finances of the Calcutta Corporation covers just such ground. It derives its justification from the continuing newspaper headlines and editorials that the civic finances are in doldrums—and, its inspiration, from an enlightened business-house, whose management sincerely believes that business-like solutions of the problems of municipal finances are possible, and must be attempted.

The fact that an equally enlightened and dynamic State Government has already amended the erstwhile laws to take care of some of the shortcomings of the years gone by demonstrates that the diagnosis of the problems has been in the right direction, too.

THE REVENUES OF CALCUTTA CORPORATION

The Table on page 54 presents a summary of the Revenue Receipts of the Municipal Revenue Fund from 1971-72 onwards.

The following excerpts from this Table show that, in Calcutta, 'Consolidated Rates', which include General Rate, Lighting Tax, Water Tax and Sewerage Tax, have constituted between 69.5 per cent to 80.4 per cent of the Corporation's 'own earned income', from both Tax and Non-Tax sources.

Table 1

RECEIPTS OF THE CALCUTTA CORPORATION : 1971-72 TO 1976-77

Year	Total Receipts	Receipts from Entry Taxes, CMDA, and other Govern- ment Contri- butions	Receipts from Consolidated Rates
(Figures in Rs.)			
1971-72 (Actuals Prel. A/c)	14,30,53,201	5,58,69,524	7,01,14,630
1972-73 (Actuals Prel. A/c)	17,41,99,935	6,49,16,494	7,60,48,315
1973-74 (Actuals Prel. A/c)	16,36,10,720	5,11,92,640	8,36,63,931
1974-75 (Actuals Prel. A/c)	16,52,01,830	6,53,22,640	7,01,63,880
1975-76 (Actuals Prel. A/c)	19,59,68,480	6,47,45,369	9,41,55,386
1976-77 (Original estimate)	23,45,96,000	6,77,13,100	11,98,00,000

Percentage calculated by deducting column 3 figures from column 2 to provide total of 'own earned income'.

From the above data, it was concluded that to be worthwhile, any study of the Municipal Finances of Calcutta Corporation should, first, concern itself with the present system of 'property taxation' as this source represents the bulk of the civic revenues.

PROPERTY TAXES IN CALCUTTA—THE PROBLEM AREAS

Six specific areas were identified for in-depth investigations into the shortcomings of the present system, namely:

- (1) The present use of 'annual rateable valuations' as the basis for levy of property taxes.
- (2) The current slab system and its built-in deficiencies.
- (3) The current low scales of tax demand in Calcutta *vis-a-vis* other metropolitan cities.

- (4) The contributions to civic finances by the assesseees covered by the 'economic activity institutions'—such as commercial offices, markets and bazars, and industrial units.
- (5) The obsolescence of Calcutta's properties, and influence of multi-storeyed buildings on property taxes.
- (6) The inadequate returns from municipal properties.

The detailed analysis of each of these problems, and the recommendations made to tackle the same are dealt with, separately for each item, in the subsequent sections.

ANNUAL RATEABLE VALUATIONS—THE MOTHER PROBLEM FOR PROPERTY TAXES

As in other Indian cities, and abroad too, property taxes in Calcutta also are levied on basis of the 'annual rateable valuations' of properties, which are determined as per the stipulations of Section 168 of Calcutta Municipal Act, 1951.

The 'total rateable valuation' of the 1,35,713 assessed properties in Calcutta Corporation area for the year 1975-76 is Rs. 42.40 crores only.

The following Table gives a break-up of the assessed properties corresponding to the various valuation ranges :

<i>Annual Rateable Valuation</i>	<i>Slab per cent</i>	<i>No. of Properties</i>	<i>Per cent of Properties</i>
Rs. 1 — 1,000	15	70,120	51.67
Rs. 1,001 — 3,000	18	42,825	31.55
Rs. 3,001 — 12,000	22	15,940	11.75
Rs. 12,001 — 15,000	27	4,435	3.27
Rs. 15,001 & above	33	2,393	1.76
		<hr/> 1,35,713 <hr/>	<hr/> 100.00 <hr/>

The fact that 83 per cent of the properties have an annual valuation of Rs. 3000 and less helps to identify the problem of extremely low valuations of Calcutta's properties.

Its magnitude can be better appreciated, however, if it is remembered that according to national standards, a Municipal Corporation catering to a population of more than 10 lakhs should spend Rs. 110 per capita per annum, for providing the civic services; whereas in Calcutta, the rateable value/head is Rs. 130.00 only—and 51.67 per cent of the assesseees pay only 15 per cent

of this rateable value towards their civic dues, which, in turn, represent 70-75 per cent of all the civic incomes

These extremely low rateable valuations owe their origin to the very system itself, and the thesis is advanced that : *In the ultimate analysis, a major breakthrough in the current property tax system cannot be achieved, until and unless, the very concept of determining property taxes on basis of rateable valuations, itself, is scrapped altogether.*

This is because 'annual rateable valuations' whether determined by the 'rental system' or the 'capital value system' are influenced by numerous built-in deficiencies, which cannot be removed easily.

Thus in the rental system, leaving aside the prevalent corrupt practices and the built-in scope for the same, the rateable values, at any given time, would always be depressed—due to old tenancies and obsolete rents, on the one hand: and, due to the artificial, though necessary, ceilings in consequence of the Rent Control Laws, on the other.

The 'capital value system' provides no solution either, subject as it is to numerous 'external' and 'uncontrollable' variables whose influence on lakhs of assessable premises must be 'quantitatively measured' and 'updated' over relatively short spans of time, which is just not feasible, practically speaking.

Some of these factors are: the continuously changing demand and supply positions, in different areas, at different scales; the after-effects of developmental investments in some areas—and lack of some in others; the changing use-characteristics of properties in different zones—either necessitated by the modern Town Planning Laws, or by popular demand.

In addition to these factors there are some contradictions that need reconciliation—on the basis of individual cases, though as per standardized procedures—such as of valuations of 'old depreciated properties in high priced areas'. In such cases, a 'fair' determination of the capital valuation is governed, at best, by the skills of the advocates on the two sides. And, no surveys are needed to arrive at the conclusion that in most such situations, municipal administrations normally end up on losing sides.

A general observation that applies to both the 'rental' and 'capital value' systems is the 'subjective nature' of the assessment of lakhs of cases, where the civic administration's interests have to be judged and safeguarded by lowly paid inspectors. This task is not only highly involved, and time consuming, but can be open to corrupt practices even in the well-off societies, anywhere in the world.

Besides the above factors, the present 'rateable valuation system' makes no provisions for the following :

No Correlation with Demands

Keeping in view the ever-rising costs of civic services, and the need for

balancing the civic budgets, it is desirable that the major source of civic revenues should be amenable to changes reflecting the 'elasticity of tax demands' too.

However, the rateable value system offers no levers for adjusting the tax demands corresponding to the costs of civic services.

No Correlation with Population Density

As is well known, population density has a direct bearing on the costs of civic services—however, the current property tax system based on rateable valuations as it is, leads to an 'Inverse' effect on the per capita contributions for civic finances—which decrease with the increasing population densities in given areas; and, thus, represent another built-in shortcoming of this system.

So much about the inadequacies of the present system!

The point is made here, however, that the Indian Constitution empowers the State Legislatures to levy taxes on 'Land and Buildings' without any terms of limitation as to the manner in which taxes are to be levied. Moreover, the intention in the Constitution in the levy of these taxes is not to tax the incomes from properties, but is to create a charge on the owners and occupiers to defray the costs of civic services.

Rateable Value as a means to this end was used in England, and, unfortunately, has continued as the basis of legislation in India since the 1915 Act.

The basic question that this investigation, therefore, raised was: *Can we not conceive a system, other than the rateable value one, which is more directly related to the purpose for which civic revenues are raised?*

It was further stipulated that, to be scientific, such a system would have to respond to the following needs:

- (a) It must have a correlation with the costs for providing civic services.
- (b) To be fair, it should make higher demands from such assesseees who place larger burdens on the civic services (such as the non-residential users of properties).
- (c) It should be amenable for corrections governed by the wardwise changes in population densities, from one census period to another.
- (d) It should simulate the real-life situation of differences in rent structures, depending both on the geographic locations in the city, and the situation of properties at vantage points, such as along major roads/parks, etc.
- (e) It should have scope for levy of additional cesses with a view to achieving some 'developmental objectives'—such as higher rates in most congested areas to discourage further congestion; or,

higher rates for industrial premises situated in the 'non-conforming' zones.

- (f) It should reduce the 'subjective' element in the assessment of the lakhs of properties—so that the scope for corruption is reduced, if not eliminated altogether.

Our organization is now at the concluding stages of a study which would advocate the following:

- (a) *Delinking of property taxes, both from the 'rental' and 'capital value' systems of assessment.*
- (b) *Introduction of 'Land Tax' and 'Building Tax'—on basis of Area Measurements.*
- (c) *Introduction of a 'slab system'—on basis of permissible 'Floor Area Ratios'.*
- (d) *Variations in the above mentioned taxes on zonal basis.*
- (e) *Additional cesses for non-residential uses of properties.*
- (f) *Zonewise surcharges, wherever necessary, to achieve the developmental objectives.*
- (g) *Changes in tax rates consequent to changes in population density.*
- (h) *Extreme degree of simplification of assessment procedures—eliminating the regular periodic assessments altogether; basing the 1st assessment on data furnished to corporation with the building plans; and, revision of same, only when building modifications are carried out.*

The new system, representing as it would, a complete departure from the current one—should be introduced only and only when adequate preparations have been made—particularly, in the matter of collection and compilation of data on the 'plot sizes' and 'covered areas' of the 'old' assessable premises. Thus, sufficient 'lead time' would be absolutely necessary to introduce the new system.

Recognizing that the need for boosting the civic revenues in Calcutta is most critical, interim reforms governing the present system can be considered, nevertheless — specially when these reforms can be introduced without much advance preparations.

THE CASE FOR RATIONALIZATION OF THE PRESENT SLAB SYSTEM

Section 165 of the Calcutta Municipal Act, 1951 prescribes the 'graduated consolidated rates' that may be imposed upon all lands and buildings in Calcutta, on the annual valuations, as determined vide stipulations in Section 168 on 'assessment of lands and buildings'.

The current rate structure is as follows:

<i>Annual Valuation Range</i>	<i>Slab (per cent)*</i>
Rs. 1,000 and below	15
1,001 — 3,000	18
3,001 — 12,000	22
12,001 — 15,000	27
15,001 & above	33

*There is an additional surcharge of $\frac{1}{2}$ per cent, in case of properties in city proper, and $\frac{1}{4}$ per cent in case of Tollygunge properties, in the style of Howrah Bridge Tax.

One problem arising from the present rate structure is highlighted thus :

	<i>Calcutta</i>	<i>Bombay</i>
Rateable Value per head	Rs. 133.20	Rs. 169.00
Property Tax per head	Rs. 26.60	Rs. 61.00

The relatively much lower tax-demand has been attributed to the current slab system, and the advocates of change have voiced their opinions, differently—for one or the other of the following options:

- (a) That the slab system should be scrapped altogether.
- (b) That the slab system, as in practice now, should be kept intact, and only the rates be revised upwards.

If one is to go by a superficial analysis alone, the present study has also brought out the fact that the slab system has been detrimental to the financial interests of Calcutta Corporation, inasmuch as nearly 50 per cent of the properties in Calcutta's most expensive areas even, and 67 per cent of industrial properties enjoy rates between 15 per cent to 22 per cent slabs, which is lower than the 24 per cent General Rate alone in Bombay, where the service levies amount to another 20 per cent or so of the civic dues.

Scrapping the slab system altogether, would pose a peculiar problem in Calcutta as whatever the new uniform rates proposed, the assesseees in the highest slabs would be more advantageously placed due to comparatively lesser increases, if the uniform rate is fixed above 33 per cent, and decreases in their civic dues, if it is less than 33 per cent.

As regards retention of the present slab system, and only amending the rate structure, various proposals have been under the consideration of the authorities including one by a World Bank expert, deputed to opine on these proposals. *However, after a critical analysis of the characteristics of the present slab system, this study has 'exposed' some of its built-in defects which tantamount to giving relief to assesseees in higher valuation ranges than vice versa—a happening which is in fundamental conflict with the taxation principles.*

Thus, the present system's characteristics have been analyzed in terms of the successive increments in 'Annual Tax Demand', for every Rs. 1,000 increase in Annual Rateable Valuation, at various levels of Valuation—as shown in the Table below:

Increase in Valuation		Increase in Tax Demand
From	To	
Rs. 500	Rs. 1,000	Rs. 75.00
Rs. 1,001	Rs. 2,000	Rs. 210.00
Rs. 2,001	Rs. 3,000	Rs. 180.00
Rs. 3,001	Rs. 4,000	Rs. 340.00
Rs. 4,001	Rs. 5,000	Rs. 220.00
Rs. 5,001	Rs. 6,000	..
Rs. 6,001	Rs. 7,000	..
Rs. 7,001	Rs. 8,000	..
Rs. 8,001	Rs. 9,000	..
Rs. 9,001	Rs. 10,000	..
Rs. 10,001	Rs. 11,000	..
Rs. 11,001	Rs. 12,000	Rs. ..
Rs. 12,001	Rs. 13,000	Rs. 870.00
Rs. 13,001	Rs. 14,000	Rs. 270.00
Rs. 14,001	Rs. 15,000	..
Rs. 15,001	Rs. 16,000	Rs. 1,230.00

It would be seen from this table, that the increase in Tax Demand for Rs. 1,000 increase in valuation, at different levels of valuation, is both erratic and irregular.

This aspect of irregular and sudden jumps is also illustrated in the following Table where keeping the Tax Demand corresponding to the present system, the slabs as per the 'Income Tax' system have been computed :

Annual Valuation	Present Slab per cent	Tax Demand	Tax Demand in Rs. as in Col. 3 Expressed as per Income Tax Practice
Rs. 1,000	15	150	150.00
Rs. 2,000	18	360	150.00 + 21.00% of Rs. 1,000 = 360
Rs. 3,000	„	540	150.00 + 19.50% of Rs. 2,000 = 540
Rs. 4,000	„	880	540.00 + 34.00% of Rs. 1,000 = 880
Rs. 5,000	„	1,100	540.00 + 28.00% of Rs. 2,000 = 1,100
Rs. 6,000	„	1,320	540.00 + 26.00% of Rs. 3,000 = 1,320
Rs. 7,000	„	1,540	540.00 + 25.00% of Rs. 4,000 = 1,540
Rs. 8,000	„	1,760	540.00 + 24.40% of Rs. 5,000 = 1,760
Rs. 9,000	„	1,980	540.00 + 24.00% of Rs. 6,000 = 1,980
Rs. 10,000	„	2,200	540.00 + 23.71% of Rs. 7,000 = 2,200
Rs. 11,000	„	2,420	540.00 + 23.50% of Rs. 8,000 = 2,420
Rs. 12,000	„	2,640	540.00 + 23.33% of Rs. 9,000 = 2,640
Rs. 13,000	27	3,510	2640.00 + 87.00% of Rs. 1,000 = 3,510
Rs. 14,000	„	3,780	2640.00 + 57.00% of Rs. 2,000 = 3,780
Rs. 15,000	„	4,050	2640.00 + 47.00% of Rs. 3,000 = 4,050
Rs. 16,000	33	5,280	4050.00 + 123.00% of Rs. 1,000 = 5,280

The above conclusively established the point that the current practice of having 'arbitrarily fixed slabs' has many built-in deficiencies and should be discontinued.

POSSIBLE IMPROVEMENTS THROUGH THE INCOME TAX SLAB SYSTEM

To ensure that there is a 'progressive increase' in the tax demand, as the Valuation goes up, one well known option that could be adopted is the 'Income Tax Slab System'.

That there is a substantial increase in Tax Demand, due to 'rationalization of slabs' as per the Income Tax System is demonstrated in the following Table, where the Tax Demands as per the Income Tax Slab System have been computed from the following slabs, which closely correspond to the slabs in the present system.

The 'Income Tax System,' based slabs used are:

Rs. 1,000	:	Rs. 150	
Rs. 1,001 — 3,000	:	Rs. 150 + 21%	of increase over Rs. 1,000
Rs. 3,001 — 12,000	:	Rs. 570 + 31%	„ Rs. 3,000
Rs. 12,001 — 15,000	:	Rs. 3,360 + 41%	„ Rs. 12,000
Rs. 15,001 & above	:	Rs. 4,590 + 69%	„ Rs. 15,000

The following Table provides the comparisons of the tax demands between the present system and the Income Tax System.

<i>Valuation</i>	<i>Present Slab Per cent</i>	<i>Present Tax Demand</i>	<i>New Tax Demand as per I.T. Slab</i>	<i>New Demand As per cent of Valuation</i>
<i>Rs.</i>		<i>Rs.</i>	<i>Rs.</i>	<i>Rs'</i>
1,000	15.00	150.00	150.00	15.00
2,000	18.00	360.00	360.00	18.00
3,000	"	540.00	570.00	19.00
4,000	22.00	880.00	880.00	22.00
5,000	"	1,100.00	1,190.00	23.80
6,000	"	1,320.00	1,500.00	25.00
7,000	"	1,540.00	1,810.00	25.85
8,000	"	1,760.00	2,120.00	26.50
9,000	"	1,980.00	2,430.00	27.00
10,000	"	2,200.00	2,740.00	27.40
11,000	"	2,420.00	3,050.00	27.72
12,000	"	2,640.00	3,360.00	28.00
13,000	27.00	3,510.00	3,770.00	29.00
14,000	"	3,780.00	4,180.00	29.85
15,000	"	4,050.00	4,590.00	30.60
16,000	33.00	5,280.00	5,280.00	33.00

It would be noticed from the above table, that by adopting the 'Progressive Increment' System as per Income Tax practice, the Tax Demand increases corresponding to most of the valuations.

For an analysis of the overall merits of the Income Tax Slab System, however, it is important to take note of its 4 basic characteristics. These are:

- (a) The 'increment in tax demand' is uniform, for a given slab range.
- (b) There is a 'progressive increase' in the above-mentioned 'increments of tax demand', from the lowest to the highest ranges.
- (c) The 'valuation ranges' over which the increments of 'tax demand' remain constant *are fixed arbitrarily*.
- (d) The 'magnitudes of the progressive increases' between various 'valuation ranges' *are also decided arbitrarily*.

It is argued that whatever the degree of caution exercised, the 2 arbitrarily fixed elements in the Income Tax Slab System introduce 'sudden jumps' in the tax-demands, as the slabs change.

These sudden jumps have a psychological reaction on the rate-payers; and the tendency to 'manage' things so as to be covered by the lower slab

ranges is not entirely unnatural. *The Impact of sudden jumps on Tax Demand can, however, be reduced by increasing the number of slabs, the most optimum results being attained when the 'number of slabs becomes infinite'—i.e., when slabs change for each and every Valuation,*

The Straight-Line System for Infinite Number of Slabs

The number of slabs becomes infinite in a system where, given the lowest and highest tax-demand rates, the rest are computed from an algebraic equation for a Straight Line, as follows:

$$Y = A + B X$$

where Y is Slab for Tax-Demand, in terms of % of Valuation

X is Annual Rateable Valuation in Rs.

A and B are Constants which depend upon the X and Y Values fixed at the lowest and highest extremes.

The point is made here that, in this system, only the two terminal rates need to be fixed arbitrarily, the rest being determined from a precise mathematical correlation.

The 'arbitrary choice of the lowest and highest rates' can be justified on basis of policy considerations which spell out how low and how high the tax burdens should be at the two extremes.

A comparison of the 'Straight Line System' versus the 'Present System' as well as the 'Income Tax Slab System' is made in Table II for 3 alternates of the two terminal values, and their corresponding Income-Tax System based slabs.

The three alternates are :

Annual Rateable Valuation	Tax Demand Rate — per cent of Annual Rateable Valuation		
	Alt. 1	Alt. 2	Alt. 3
Rs. 500 & below	20	15	15
Rs. 15,000 & below	45	45	40

The algebraic equations for the 3 alternates are :

Alternate 1 : $Y = 19.1380 + X/580$

Alternate 2 : $Y = 13.9655 + 3X/1450$

Alternate 3 : $Y = 14.1380 + X/580$

Where Y is the Slab for Tax Demand, in terms of per cent of valuation
X is the Annual Rateable Valuation in Rs.

Table 2

The Income Tax System based slabs corresponding to the 3 alternates are:

Alternate 1		Percent	
Rs. 500 & below	:	20	
Rs. 501 — 2,000	:	Rs. 100 + 25	of increase over Rs. 500
Rs. 2,001 — 4,000	:	Rs. 575 + 30	„ Rs. 2,000
Rs. 4,001 — 6,000	:	Rs. 1,075 + 35	„ Rs. 4,000
Rs. 6,001 — 10,000	:	Rs. 1,775 + 45	„ Rs. 6,000
Rs. 10,001 & above	:	Rs. 3,575 + 55	„ Rs. 10,000
Alternate 2			
Rs. 500 & below	:	15	
Rs. 501 — 2,000	:	Rs. 75 + 20	of increase over Rs. 500
Rs. 2,001 — 4,000	:	Rs. 375 + 26	„ Rs. 2,000
Rs. 4,001 — 6,000	:	Rs. 895 + 35	„ Rs. 4,000
Rs. 6,001 — 10,000	:	Rs. 1,595 + 45	„ Rs. 6,000
Rs. 10,001 & above	:	Rs. 3,395 + 58	„ Rs. 10,000
Alternate 3			
Rs. 500 & below	:	15	
Rs. 501 — 2,000	:	Rs. 75 + 20	of increase over Rs. 500
Rs. 2,001 — 4,000	:	Rs. 375 + 25	„ Rs. 2,000
Rs. 4,001 — 6,000	:	Rs. 875 + 30	„ Rs. 4,000
Rs. 6,001 — 10,000	:	Rs. 1,475 + 40	„ Rs. 6,000
Rs. 10,001 & above	:	Rs. 3,075 + 50	„ Rs. 10,000

Estimates for Additional Revenues

Those estimates are based on the available data on the break-up of the assessed properties in the City proper and Tollygunge as per the present valuation ranges.

It may be noted that only the minimum and maximum possible increases can be estimated from the available data. The actual increase would be somewhere between these 2 limits.

Following is a summary:

	Annual Increase in Tax Revenues — Rs. Lakhs			
	Income Tax System		St. Line System	
	Lowest	Highest	Lowest	Highest
Alternate 1	231.95	751.31	232.43	755.67
Alternate 2	164.56	635.66	168.77	648.48
Alternate 3	124.42	451.03	124.90	455.39

The average increase, and the 25 per cent additional increase on account of the 'non-residential premises cess'* would result in the following additional tax yields:

	Income Tax System†			St. Line System†		
	Non-Res.			Non-Res.		
	Average Increase	Cess	Total	Average Increase	Cess	Total
Alternative 1	491.63	122.91	614.54	494.05	123.51	617.56
Alternative 2	400.11	100.03	500.14	408.62	102.16	510.78
Alternative 3	287.72	71.93	359.65	290.15	72.54	362.69

Keeping in view the fact that the preponderance of properties nearer the highest value in each valuation range is likely to be more, the actual yields may be 10-15 per cent more than those indicated above.

It would be noticed from the above that the tax yield, as per the St. Line System, is marginally higher than that from the Income-Tax Slab System, for the various Alternates.

This comparatively higher yield should be viewed in the light of the fact that about 85 per cent of the rate payers who fall in the valuation range between Rs. 1—10,000 would pay taxes at a rate, which is about 0.06 per cent to 1.64 per cent lower than the rates according to the Income Tax system.

Per Assessee Increase In Tax Burden

For the 'Straight Line System', the average per assessee increase in tax burden would be between the lowest and highest limits as indicated below.

Valuation Range		Alt. 1	Alt. 2	Alt. 3
Rs. 1 — 0,000	Lowest	25.00	—	—
	Highest	58.60	10.30	8.60
Rs. 1,001 — 3,000	Lowest	58.60	10.30	8.60
	Highest	189.30	65.10	39.30
Rs. 3,001 — 12,000	Lowest	189.30	65.10	39.30
	Highest	2139.60	2014.80	1539.60
Rs. 12,001 — 15,000	Lowest	2139.60	2014.80	1539.60
	Highest	2700.00	2700.00	1950.00

*see Section VI

†all figures in Rs. lakhs.

Above Rs. 15,000, the increase would be at the rate of 12 per cent for alternates 1 and 2, and at the rate of 7 per cent for alternate 3.

The additional tax burden, whichever the alternate chosen, can be easily justified, as for about 80 per cent of the assesses, it would be less than Rs. 190 or so, per annum.

The above proposal is now under the active consideration of West Bengal Government.

A COMPARATIVE STUDY OF THE REVENUE SOURCES AND RECEIPTS OF CALCUTTA, BOMBAY AND DELHI MUNICIPAL CORPORATIONS

The point that 'rationalization of slab system' and the marginal increases, say from 15 per cent to 20 per cent at the lowest level and from 33 per cent to 45 per cent or so at the highest level, would help to mop up only a part of the current deficits in the Calcutta Corporation's budgets leads one to conclude that other avenues for further boosting of the civic revenues should be examined yet.

In this regard, a comparative study of the revenue sources and receipts of Calcutta, Bombay, and Delhi Municipal Corporations was considered to be useful.

It clearly brings out the following :

- (1) That, as compared to Bombay, where the General Tax and Services Levies add up to about 46.50 per cent or so, for properties in Calcutta the highest demand is @ 33 per cent (which too as stated earlier applies to 1.76 per cent of the assessable premises only). In Bombay's case, the levy of the Building Repairs Cess, at rates varying from 18 per cent to 34 per cent, for buildings constructed prior to 1969 is additional, and this source alone earns Rs. 2.93 crores, which though used for the Board's purposes, comes from the same ratepayers.
- (2) Calcutta Corporation hardly earns anything from the Entertainment and Motor Vehicles Taxes, whereas Bombay earns about Rs. 3.98 crores from the Wheel Tax, and Delhi's shares of the Entertainment and Motor Vehicles Taxes are of the order of Rs. 2.93 crores, and Rs. 1.95 crores, respectively.
- (3) Delhi has tapped some other sources too, such as 'Duty on Transfer of Property' which yielded Rs. 0.98 crores in 1973-74; Tax on Consumption, Sale, or Supply of Electricity which amounted to Rs. 1.99 crores.

Besides the above, both Bombay and Delhi Corporations have substantial incomes from Entry Taxes (Rs. 21.92 crores and Rs. 9.67 crores in 1973-74, respectively), whereas, due to sharing the Entry Tax revenues with CMDA and other Municipalities, Calcutta Corporation's share used to be Rs. 2.5 crores, and, has improved only marginally, ever since.

Calcutta Corporation has, in its budget recommendations, invariably pleaded for larger shares of such taxes as are collected by the State Government.

Inasmuch as these represent transfers and do not involve raising additional resources from external sources, for the purpose of this study, investigations and comments are directed to only such areas through which additional resource mobilization would be possible.

THE NEED FOR LEVY OF A NON-RESIDENTIAL PREMISES CESS

In order to identify one such area, a survey of the 'Annual Rateable Valuations' of a select sample of 4,100 properties out of the 1.3 lac plus properties in Calcutta was taken up.

The properties selected comprised the 'economic activity centres' of Calcutta, and this selection was made as it would cover the more expensive of the properties in Calcutta.

Thus, of the total of 4,100 properties, 2,679 properties were selected in the Dalhousie Square, Mission Row, Esplanade, Chowringhee, Park Street and vicinity and Burrabazar areas—all of which are known for their commercial importance.

The 'valuationwise distribution' of the surveyed properties is as follows:

<i>Annual Rateable Valuation</i>	<i>Dalhousie Area</i>	<i>Mission Row Area</i>	<i>Chowringhee Park Street Area</i>	<i>Burra-Bazar Area</i>
No. of properties surveyed	799	554	1,022	304
Total Annual Rateable Valuation	4.75	1.06	1.28	0.35
Rs. Crores				
per cent of properties in various Valuation Ranges :				
Below Rs. 1,000	12.3	13.7	9.4	19.1
Rs. 1,001— 5,000	29.9	30.5	42.5	35.6
Rs. 5,001—15,000	22.1	26.9	26.6	27.0
Rs. 15,001—50,000	20.4	20.4	14.3	14.5
Rs. 1/2 lac— 1 lac	6.4	4.9	4.1	2.2
Rs. 1 lac— 3 lacs	6.9	3.2	2.2	1.6
Above Rs. 3 lacs	2.0	0.4	0.9	—

Of the 2,679 properties selected above, 118 premises belonged to the Markets/Bazar categories—i.e., each of these premises having a minimum of 30 shops.

The highlights of the survey data pertaining to these markets are as follows :

Total Annual Rateable	Rs. 72,28,745
Valuation of the 118 premises	
Quarterly Demand per share	Rs. 2,93,824
Average Quarterly demand/share	Rs. 2,490

With the minimum of 30 shops per premises, the monthly contribution/ shop average to Rs. 27 or so; but since the number of shops is much beyond 30—the average would be more like Rs. 15 p.m.

Similar analysis of the 'annual rateable valuations' of 32 premises which serve as the major wholesale centres is still more revealing.

In this survey, the following information was revealed:

No. of Wholesale markets surveyed	32
No. of Licensees as Traders	5,235
Total Annual Rateable Valuation of the 32 premises	Rs. 31,22,925
Total Quarterly demand/share	Rs. 1,30,577
Average Quarterly demand/share	Rs. 4,080
Average Quarterly demand/tenant	Rs. 25

Thus, in the tradewise, most important wholesale areas, an average wholesaler paid only Rs. 8 per month to the Corporation—in Armenian Street which is the whole-sale centre for Chemicals, the civic dues amounted to only Rs. 0.56 per month.

Survey of Industrial Premises

Another 1,421 properties were surveyed in 6 different zones of the city which are important due to the location of large, medium, and small scale industries.

In these Industrial Zones, the situation was as follows :

Zone	No. of Factories	Valuationwise Break-up			Average Qrly. Demand per share Rs.
		Above 50,000	Rs. 10,000 to Rs. 50,000	Below Rs. 10,000	
a	260	21.26%	37.09%	41.65%	2,919
b	283	11.89	23.80	64.70	909
c	428	4.90	16.66	78.44	435
d	262	4.04	15.15	80.01	320
e	82	—	13.21	86.79	234
f	72	—	10.35	89.65	117
g	34	—	4.00	96.00	101

Where :

- Zone a —covers Hide Road, Taratalla, Kidderpur, Watgunge area factories
- Zone b —covers Cossipore, B.T. Road, Dum Dum areas
- Zone c —covers areas East of Acharya P.C. Roy Road, bounded by Belgachia Road and Beliaghata Canal
- Zone d —covers Tiljala, Topsia, Tangra, Kustia areas
- Zone e —covers areas West of Acharya P.C. Roy Road, bounded by Bhupendra Bose Avenue and Vivekananda Road
- Zone f —covers areas West of Acharya P.C. Roy Road, bounded by Vivekananda Road and Surya Sen Street.
- Zone g —covers factories along Prince Anwar Shah Road and vicinity

The above surveys conclusively established the point that even the economically prosperous commercial and Industrial Centres of Calcutta did not contribute enough towards the civic revenues.

The thesis was advanced, on the other hand, that the erstwhile 'uniform treatment' of all properties for property tax purposes has been fundamentally wrong—if the basic objective for raising civic revenues is kept in view—i.e., to meet the costs of civic services. This is so because the users of non-residential premises cause greater strains on the civic services than those in the residential category, and accordingly they must be made to pay more.

It was, therefore, proposed that the Calcutta Municipal Act be suitably amended to introduce the distinction of 'residential' and 'non-residential' premises for property tax purposes, and the Corporation should be empowered to levy extra cesses on 'non-residential' premises.

This recommendation has since been accepted by Government, and Section 165 of the Calcutta Municipal Act was amended by the legislature through 'The Calcutta Municipal (Third Amendment Act, 1976), as follows :

"Provided further that a surcharge at such rate not exceeding fifty per cent of the consolidated rate as may be determined by the State Government by notification published in the Official Gazette, may be imposed upon any land or building which is used wholly or in part for commercial or non-residential purpose".

This amendment is expected to result in an additional revenue of Rs. 2.5 crores per annum.

OBSOLESCENCE OF CALCUTTA'S PROPERTIES AND INFLUENCE OF NEW MULTISTOREYED CONSTRUCTION

As stated earlier, another factor contributing to the low valuations of Calcutta's properties has been the 'obsolete rents' of most of the properties.

This situation can best be tackled by expediting the Urban Renewal programmes in Calcutta, and much stricter enforcement of regulations concerning demolition of outdated properties.

Of late, some multistoreyed construction work has started, which, however, has come under critical comment, more due to the new problems that are arising—many of which would be tackled through better Buildings Laws.

However, civic finances being as dismally poor as these are, any single step which makes sizeable contributions to the civic revenues would have to be given due consideration, even if physical constraints warrant otherwise.

To bring home the total significance of the 'influence' of new multistoreyed buildings on civic revenues, a survey of the 'old' and 'new' valuations of 29 premises was conducted, and its findings are most revealing, as is shown below:

(a) Old Annual Rateable Valuations	Rs. 14,92,934
(b) New Annual Rateable Valuations after multistoreyed construction	Rs. 2,45,57,519
(c) Old Valuation : New	1 : 16.5

The present challenge for the civic administration, therefore, is to plan such areas for multistoreyed construction where the physical constraints can be taken care of, so that multistoreyed construction can be encouraged to the maximum degrees possible.

THE FINANCES OF THE MUNICIPAL MARKETS

Calcutta Corporations runs 10 markets in various wards of the city.

Corporation being the landlord, property taxes on these premises are not collected separately, and the occupiers' share of tax is collected as a part of the rent itself.

Following is a Summary of the Finances of these Markets, for the year 1973-74.

* Receipts from rent	Rs. 37,70,213
* Expenditure on establishment	Rs. 27,27,200
* No. of traders	4,891

If receipts alone are considered, the average rent and property tax contribution per trader per annum is Rs. 837, *i.e.*, Rs. 69.80 per month, the market-

wise average being as follows:

<i>Name of Market</i>	<i>Average Rent & Property Tax Paid/tenant per annum</i>	<i>Average Expendi- ture per tenant/ annum</i>
1. S.S. Hogg Market	Rs. 851	Rs. 591
2. Lansdowne Market	Rs. 605	Rs. 602
3. Sir Charles Allen Market	Rs. 910	Rs. 729
4. College Street Market	Rs. 906	Rs. 622
5. Entally Market	Rs. 653	Rs. 703
6. Lake Market	Rs. 815	Rs. 675
7. Park Circus Market		Rs. 355
8. Gariahat Market	Rs. 1,250	Rs. 794
9. New Alipore Market	Rs. 1,042	Rs. 1,303
10. Manicktala Market	Rs. 1,266	Rs. 1,409

However, if the net receipts are considered, then the average *rent and property tax contribution per trader* is only Rs. 196 per annum or *Rs. 16.33 per month*

From the above data, one clearcut conclusion that can be drawn is that had there been another landlord for these properties, the Corporation could at least expect the owners and occupier's share of property taxes, which would have averaged as much as the present collections due to rents plus taxes, to be sure.

The question that needs serious consideration is :

Why not transfer these Markets to a Statutory Market Authority, which would be liable to pay the Corporation its taxes, and which would ensure its own economic viability through a more sound rent structure.

Such a measure commends itself, particularly, at a time when reconstruction proposals for these Municipal Markets are under active consideration.

**PROPOSAL FOR RATIONALIZATION OF SLAB SYSTEM FOR IMPOSITION OF
CONSOLIDATED RATES UNDER THE CALCUTTA MUNICIPAL ACT, 1951**

Alternate 1

ST. LINE SYSTEM — TERMINAL VALUES

Rs. 500 & below : 20%

Rs. 15,000 & above : 45%

INCOME TAX SYSTEM BASED SLABS

Rs. 500 & below : 20%

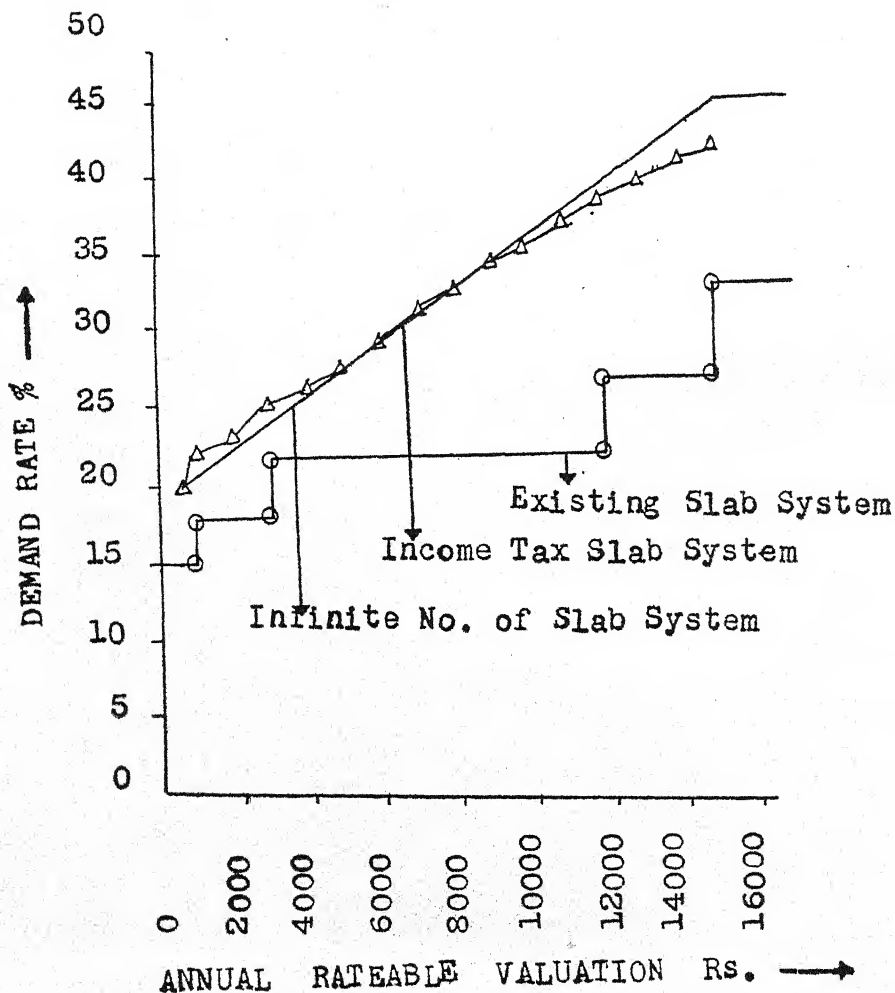
Rs. 501 — 2,000 : Rs. 100 + 25%

Rs. 2,001 — 4,000 : Rs. 475 + 30%

Rs. 4,001 — 6,000 : Rs. 1,075 + 35%

Rs. 6,001 — 10,000 : Rs. 1,775 + 45%

Rs. 10,001 & above : Rs. 3,575 + 55%



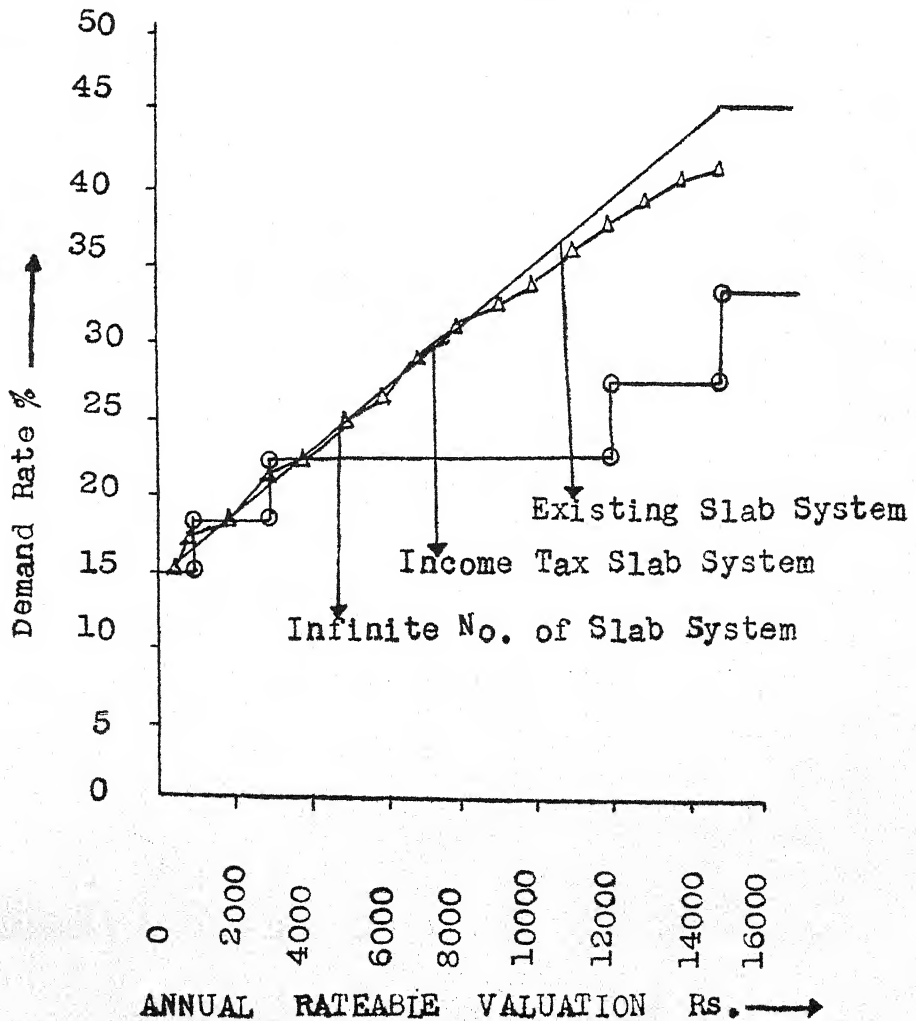
PROPOSAL FOR RATIONALIZATION OF SLAB SYSTEM FOR IMPOSITION OF
CONSOLIDATED RATES UNDER THE CALCUTTA MUNICIPAL ACT, 1951

Alternate 2
ST. LINE SYSTEM — TERMINAL VALUES

Rs. 500 & below : 15%
Rs. 15,000 & above : 45%

INCOME TAX SYSTEM BASED SLABS

Rs. 500 & below	15%
Rs. 501 — 2,000	: Rs. 75 + 20%
Rs. 2,001 — 4,000	: Rs. 375 + 26%
Rs. 4,001 — 6,000	: Rs. 895 + 35%
Rs. 6,001 — 10,000	: Rs. 1,595 + 45%
Rs. 10,001 & above	: Rs. 3,395 + 50%



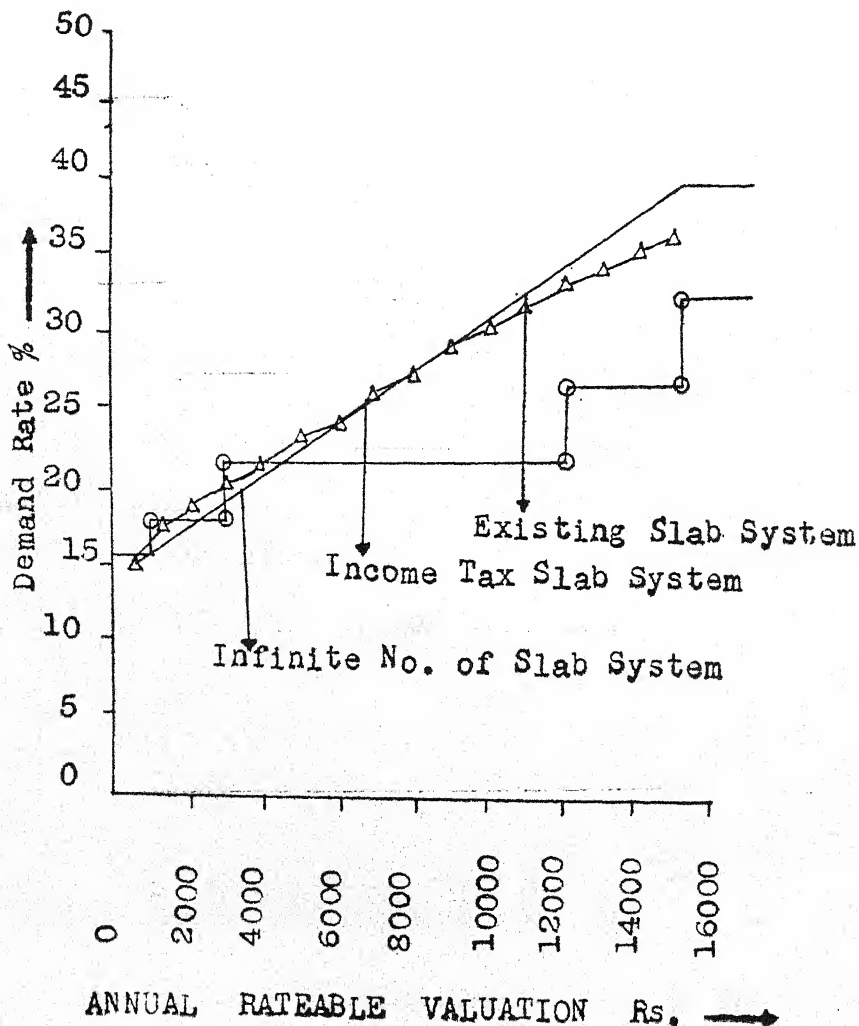
PROPOSAL FOR RATIONALIZATION OF SLAB SYSTEM FOR IMPOSITION OF CONSOLIDATED RATES UNDER THE CALCUTTA MUNICIPAL ACT, 1951

Alternate 3 ST. LINE SYSTEM — TERMINAL VALUES

Rs. 500 & below : 15%
Rs. 15,000 & above : 40%

INCOME TAX SYSTEM BASED SLABS

Rs. 500 & below	:	15%
Rs. 501 — 2,000	:	Rs. 75 + 20%
Rs. 2,001 — 4,000	:	Rs. 375 + 25%
Rs. 4,001 — 6,000	:	Rs. 875 + 30%
Rs. 6,001 — 10,000	:	Rs. 1,475 + 40%
Rs. 10,001 & above	:	Rs. 3,075 + 50%



*The Slum Problem**

K.K. KHATU

IN reducing the wide disparities in the privileges enjoyed by different people in the country, no programme would be complete without a comprehensive approach towards the slum problem and determined effort in tackling it. The slum is something like an infectious skin disease.* Unless and until proper diagnosis is made, slum expands in size and spreads into new locations. Slum dwellers, in past two decades, have increased twofold. The number of new slum locations keep on adding year after year, while, the old ones continue to expand. Consequently, slums have become the hotbeds for many of present day urban ills. And yet the remedies to check them are not fool-proof. Therefore, there is an urgent need to look into these problems in a more precise and novel manner than the traditional one.

NEED FOR NEW OUTLOOK

The various slum survey data indicate that majority slum families live in one and or two rooms tenements and there is a high density per room. The housing conditions in slums are barely tolerable. In most of the cases they are deprived of basic amenities like latrines, water taps and electricity. Although, sometimes, the provisions are there, those are over pressurised and therefore, hardly any environmental cleanliness could be maintained.

The steady growth of slums in urban India today is quite alarming and if this situation continues, it would not take more time to witness the total deterioration of urban environmental conditions. The present programmes are still inadequate to deal with the problem. They are even inadequate to prevent steady worsening of the situation. The Slum Clearance Scheme is now outdated and Slum Improvement Scheme is being pushed forward by the welfare agencies and the State Government.* A few more schemes may also be introduced, but these are all curative measures. Why not both curative and preventive measures are simultaneously tried? Hence, quite a different planning exercise is necessary for slum eradication, where improvement and

* Paper presented at the seminar on Human Settlements, organised by the University of Rajasthan, Jaipur, during April 25-29, 1976.

reformation methods are adjudged to be appropriate, rather than demanding immediate clearance or becoming over ambitious of meeting the challenge of constructing housing structures on large scale.

" Shelter is in fact a comprehensive term which commonly means house, but, it also means the environmental facilities around it. Hence, it has to be conceived together with the physical, techno-economic and social environment in which people exist.

TASKS AHEAD

It is evident that no conscientious authority can turn deaf ear to the fast deterioration of city's health situation. However, it is also not an easy task to deal with, as it not only involves space but also people. The population-mix that is involved in slums is always of a unique type. The slums do not distinguish between religions, income or whether male or female. It leaves its impact on everyone whosoever comes in close contact with it. Therefore, the solution to the slum problem that is facing the urban planners and administrators of today, could be achieved through the balanced decision, keeping in view planning and also the limited resources at hand. Since, in the modern urban society any major decision has immediate repercussions throughout the urban system it is also necessary to take into consideration the number of interactions within different forces.¹ Slum being most crucial problem of urban society it requires to be examined and understood very carefully.

The town planner's role, therefore, becomes permissive rather than deterministic; it is to provide a physical, social and economic framework not so much to regulate behaviours but rather to present the widest range of opportunities and by removing constraints, to enable every individual to become free. The main objective of the social aspects of planning is therefore to give satisfaction¹. Hence, the relevant planning policies could be twofold; firstly, to secure necessary environmental improvements in the slum and also in its neighbourhood, and secondly, to rescue the lot of individuals and communities arrested in slum conditions. As also slum came into disrepute everywhere, it is generally agreed that future slums should be prevented and existing slums should be improved.

LEGALIZATION

People, space and time are the essential components in the planning process. Taking the land area as fixed and given, any developmental step would transform the relationship of people and land, both in fringe and in urban core areas. Therefore, there is always a room to redevelop and readjust

¹G.E. Cherry, *Town Planning in its Social Context*, London, Leonard Hill, 1970, p. 47.

the urban landuse functions in such areas where transition takes place. In the context of expanding city limits a special treatment is necessary for the reorganization of rural settlements located in the metropolitan areas.² Measures are to be instituted in rural centres to discourage the transplanting of rural poverty into the urban environment. However, the unchecked migration of people, a scarcity of resources, the rising cost of construction and an increasing shortage of plots in urban and industrial areas, adversely affect the improvement. Moreover, economic development programmes have steadily tended to intensify urban-rural differences. This situation favours the rural migration in increasing trend and as a result of this the less attention is being paid to the rural agriculture and the rural life associated with it.

Fringe areas as suburban areas of the city are frequently characterized by unimaginative and undesirable landuse. This not only adds to the cost of utility installations but such areas imbalance the city's landuse functions. The entrepreneurs in the city, by their desire to obtain cheaper land in the suburban areas would more often leap-frog beyond the fringe of existing housing development (many a time in the rural areas on the periphery of the city), leaving behind irregular strips of open land which must wait for years before surrounding densities can support its economic development. This type of land utilization has made the slum problem still more intricate. If restrictive measures are effectively imposed on all kinds of irregularities then the areas could be saved from imbalanced landuse which in turn would prevent the slums growth.³ However, these restrictions need not be very strict, especially when the buildings in the core areas often are uniformly old. Therefore, some adjustment or flexibility is to be provided in the regulations.

The slum has been accepted now as an inevitable part of an urban landscape especially in the cities which grow industrially faster. Slums are in general neglected by people also. Any measure taken in the past to clear the slum was never fully a success, and therefore, the local authorities have started taking it as a reality and even legalized the areas, in spite of the fact many of them are much below the sub-standard. Planners and administrators have opined in many cases to relocate them in the same areas in a planned and organized manner. Today it has become difficult for any authority to evacuate these areas and drive away the poor slum dwellers from their substandard, unauthorised and illegally occupied vantage plots in the city.

It was also observed that in many cases the local self or state regulations prohibiting or controlling more fragrant housing practices injurious to health and safety did nothing of a positive nature, however, to promote construction of better housing for urban families of low or modest incomes. One of the bottlenecks may be inadequacy of funds. Whatever actions were taken were

²K.K. Khatu, Baroda Slums, "A Case Study in Misuse of Land," *Deccan Geographer*, Vol. XXII, 1975, pp. 225-234.

³*ibid.*

invariably sponsored by individuals or private estate owners. Abrams⁴ points out: "If more land could be released for urban use, the artificially high prices would soon find their true market level. But without a mechanism for bringing land within range of the average worker's purchasing power, the central and more desirable land will continue to be squatters target. The choice is between legal expropriation by the government and illegal appropriation by the desperate landless.⁵ If the already critical squatting problem comes to evolve many more voters, illegal acquisition of land is bound to gain political sanction in more and more countries."

SOCIALIZATION

It would be a mistake, however, to view the slums' impact as the same everywhere, or to see poor housing as the only cause of social abnormality.⁵ From the families perspective 'housing' is not shelter alone but comprises services, facilities and utilities which link the individual and the family to the community. In Harrington's⁶ word 'slum is not merely an area of discrete buildings but is a social fact also'. The phenomenon is much visible in case of rural migrants. The people who come to city on their own and who have no definite means of livelihood at an initial stage are faced with complex problems. Especially the transition of the rural urban-migrant is always a problem.⁷ In this context Laquian⁸ proposes to hasten the transition process of the rural-urban migrant. This process would help to make the migrant an asset rather than a liability to urban society which he subsequently joins.

In Philippines there exists a body known as the Central Institute for the Training and Rehabilitation of Urban Squatters; however Laquian's observations reveal that the scheme is not much rewarding although some orientation and training programmes are chalked out for rural migrants. Migrants are generally taught certain occupation skills just to familiarise them with the urban life. They are also introduced to community relations that city needs for its healthy development. Similar type of exercise, but in different circumstances, is in force in New Bombay; where the rural people inherited in the New Bombay area are being trained in different trades and occupations which would later be befitting and supplementary to the future set-up of New City. In this case the trained urban people would be the real migrants who would impose the urban functions on the rural scene. The task is not very easy as

⁴Charles Abrams, *Man's Struggle for Shelter in an Urbanizing World*, London, M.I.T. Press, 1966, Chapter 5, p. 56.

⁵Charles Abrams, *ibid.*, Chapter 1, p. 8.

⁶M. Harrington, "Old Slums, New Slums," in A.R. Desai and S. Devidas Pillai, (Ed.) *Slums and Urbanisation*, Bombay, Popular Prakashan, 1970, p. 83.

⁷K.K. Khatu, "A Case of Rural Migrants in Urban Slums, Problem of Rural-Urban Dichotomy," in proceedings of International symposium on *Rural Settlements in Monsoon Lands*, Varanasi, Dec. 1975.

⁸A.A. Laquian, *Slums are for People*, Honolulu, East-West Center, 1971, p. 7.

there are 84 villages in this area. The Baroda Citizens' Council in Baroda is also attempting in this direction since its inception. Unless a careful review is made of the impact of such efforts so far made, it would be too hasty a step to conclude anything.

LOW CASTES

It will not be an exaggeration to conclude that slum culture is by and large a synthesis of culture of the lower classes and also culture of poverty. It is also true that not all low castes and poor people live in slum. The culture of slum varies from place to place as communities differ and within them further castes and occupations differences also exist. Furthermore, certain families may live in a slum out of sheer helplessness and may even be very poor, yet different in their behaviour, traditions and living habits. Miller⁹ has explained the dependency on six focal characteristics of lower class culture, *i.e.*, trouble, excitement, smartness, toughness, autonomy and fate. If one has to understand the behaviour of these people one should see them in compage of all such characteristics. This understanding would help the social workers or sociologists to help them solve slum problems. In spite of the numerous concessions available to low castes, their lot has not yet improved.

CROWDING

Overcrowded slums have been found to yield, high rate of family dependency on public assistance, high proportions of illiteracy, employed women, poverty, instability of employment and some undesirable habits too. People who live under crowded conditions obviously have little privacy, a factor which is of great importance, especially in its effects upon interpersonal relations.¹⁰ Indications are that with the growth of urbanization, the cities of developing regions are bringing to face many problems in the slums. Studies of Kanpur and Lucknow cities showed that juvenile delinquency, juvenile vagrancy and crime are primarily associated with slum areas.¹¹ Chaos of squatting, overcrowding, filth, discontent and social disruption; all could be correlated with the chaos of politics, power and policy. Therefore, there is valid point in suggesting the concept of optimum density. It may differ from place to place and from time to time depending upon the quality of inputs.

HOUSING

Housing progress lags behind industrial progress in all parts of the world,

⁹S.M. Miller, "The Nature of Slum", in M.B. Clinard, (Ed.) *Slums and Community Development : Experiments in Self-help*, New York, Free Press, 1966, p. 12.

¹⁰K.K. Khatri, "The Menace of Slums in Gujarat", in *Parivartak*, 15th August Special Issue, 1974, pp. 7-11.

¹¹S.S. Srivastava, *Juvenile Vagrancy: A Socio-Ecological Study of Juvenile Vagrants in the Cities of Kanpur and Lucknow*, New York, 1963.

in general. An important reason for the neglect of housing has been that it was always viewed as a subordinate requirement in the total developmental activities. "The cold calculations in input-output ratios had dominated post-war economic thinking in development economics. Housing, it was felt, called for a large input and yielded little output."¹² Besides economic considerations there are some moral and humanitarian considerations too.

The technical development over the years yet could not snatch the credit of building a house cheap enough for the poor and at the same time elegant enough as not to be branded a slum. Despite tall claims nowhere in the country there have been many revolutionary advances in housing production or in slum eradication. The lag is much more felt when one observes the mushroom growth of slums, squatting, footpath families, right in front of tall palatial government buildings, that directly results into social, economic and political problems for states. Therefore, efforts have to be made to meet the challenge of slums in its right perspective. The Governments of Gujarat, Tamil Nadu, Maharashtra, etc., have introduced schemes of slum improvement, but these schemes have proved to be inadequate to meet the challenges posed by the ever deteriorating conditions and increasing poverty in slums. It is much more important then for the government to take leading role in meeting the mass scale housing needs of the untrodden people crowding in urban areas, than leaving them to the mercy of private entrepreneurs, who generally exploit them.

The availability of local materials, wages, transport costs, regional customs and building codes continue to determine the extent to which housing elements are prefabricated; but the use of local building materials in combination with elements fabricated on the site, or in the factory, would be worth trying and encouraging, if variety of designs are thought of. Furthermore, in the interests of the health and welfare of people enmass, housing has become very much live problem. Obviously it has to make an impact on the decisions of rent control, financial aid to private housing, public sector involvement on large scale construction of houses for all sectors of society, subsidies for clearance, or improvement of conditions in slums and above all reframing laws and policies which would ease the situation for everyone to meet the challenge of the day. There is a centripetal migration from the country to the city which is continuous and unabated. It is also observed that there is an increasing tendency of centrifugal wave of migration, i.e., from city core to the city suburbs. The advantage of these tendencies is necessarily to be taken by the authorities. The effect of the later movement would also mean more than exchanging a shoddy home. This would certainly mean inconveniences to many from the point of view of community life, tiresome journey to work, etc. Wherever such attempts have been made, the combination of isolation, higher expenses and lower income have threatened an established way of life

¹²Charles Abrams, 1970, *ibid.*, Chapter 8, p. 106.

and livelihood for many. Geographers have traditionally recognized two sets of attributes of a location: those which relate to the physical characteristics of the site and those which relate to the accessibility characteristics of situation. Thus place utility might be regarded as a composite of site utility and situation utility.¹³ Hence, it is much more delicate and intricate problem than usually understood. In Seeley's¹⁴ words it could be stated that the very notion of slum depends on number of primitive notions, however, we must invoke atleast the notions of space, population and a value-position defining 'goods' and 'ills'.

LAND USE

Our cities suffer from excessive mixture of landuses, buildings causing considerable congestion and also insanitation. The effect of this is seen in having uncontrolled sporadic growth of slums in all corners of the city. All municipal laws in India incorporate provisions that impose on urban local bodies some duties and entrust them with powers to undertake works of urban development, regulation of construction activity, sub-division of land into building sites and also the overall control on the land use. Municipal bodies have further the powers to frame bye-laws, so as to ensure the undesirable land use or any kind of encroachment on the city plots. In this context these bodies should reorganize and reshape the rules and regulations, as to arrest the growth of slums in the urban centres. The slums also grow in large number around the rural centres in the fringe areas of the cities. This could be checked by regulating the influx of migrants in already identified and developed open plots in the fringe areas. Such a step also may have to be supplemented with the cooperation of Gram Panchayats in the metropolitan areas. Obviously, the coordinated efforts towards the maintenance of environmental hygiene are to be made and the subsequent plans to be implemented more seriously. The formation of DDA, CMPO, BMRDA, etc., are right steps towards the direction. But the problem of non-metropolitan cities would still remain. The aim should not be restricted to provide environmental facilities when slum comes to existence, but also to prevent and eradicate it, may be with the help of legal and administrative measures. Eradication could be achieved by two ways; (i) by clearing the slum, or (ii) by improving the conditions within, while prevention could be by having an effective control on city's developmental activities and educating the people enmass.

ACTIONS

A lesson one can learn from various examples of redevelopment across the country is that the broad scale renewal of real consequence can never get

¹³L.A. Brown and E.G. Morrie, "The Intra Urban Migration Process: A Perspective" in *Internal Structure of the City*, Ed. by S. Bourne, New York, 1972, p. 201.

¹⁴J.R. Seeley, "The Slum, its Nature, Use and Users," in *Internal Structure of the City*, Ed. by Larry S. Bourne, New York, 1972, p. 464.

implemented unless (i) it gets strong working support from city's business and industrial leaders, and (ii) it gains wide understanding and help through the city's communication network—its newspapers, associations, mandals, clubs, temples, social leaders, house and landowners, and the voter himself. A city planner or a mayor or citizens' councils can not get it done alone.

In development economy an industrial growth is a must. Industries commonly mushroom in urban centres as there are many calculated advantages of urban functions complementary to the smooth functioning of industries. Therefore, it is also the moral duty of the industrialists to show awareness of slum problems and find out seriously what the city looks like, from the point of view of trained and concerned people in city planning office; also try to know where blight exists and where it will strike next, what movements and underways are expected. Eventually this is one aspect where renewal must fit into a comprehensive plan.

Responsible industrialists should join with businessmen in creating a revolving fund and a redevelopment council, for the betterment of their low paid employees. Their participation in publishing the message of importance of environmental hygiene to all sections of society is very much needed. They can donate advertising space in newspapers, spot announcements on radio, make short hard-hitting films, screen slides. This is one amongst the many ways of contributing their efforts on improving the conditions. In United States ACTION (American Council to Improve Our Neighbourhood), DTC (Detroit Tomorrow Committee) are few to mention here, as examples of company cumulative efforts. ACTION has been very actively supporting the renewal schemes undertaken in various cities. In industrial cities of India the slum chawl dwellers could be helped by the city business communities, to give better face lift to the structures and to maintain healthy environment. As there is a close relationship between the urban community and big industry, it is much important to industrialists to safeguard the interest and welfare of the urban community. They can help, if they mean, in arresting hundreds of houses a year, from sliding into slums.

Small merchants and traders are partially responsible for making city areas slum-like, as they open clumsy shops at vantage points and give no regard for the environmental cleanliness in their peripheral areas. Not only they can remodel their shops but also help keeping the surroundings clean in their respective localities.

The financial institutions like Banks, LIC can adopt few slum areas of the city and help them to settle well by giving long range loans or building low-cost apartments suited to the slum dwellers or giving financial aid of some other nature for making the structural improvements.

The trained professionals should come forward to shape actual redevelopment and clearance plans. The available funds for research be best utilized. Housing, *i.e.*, cost for erecting buildings suited to the needs of poor men, neighbourhood development cost and the time required for all such efforts

should be economized in the larger interest of the community. Unpracticable financial designs would not only make the schemes unpopular but would hamper the cause of whole efforts. Therefore, architects should be along with the people, and should restrain themselves from devoting much of their time in costly experiments.

The journalists have a very crucial role to play in making the common man aware of the hazards of slums. The lessons they can teach to the masses are more important in this venture than anybody else can. They can, through their media, educate people for clean habits. Broadcasting the interviews with slum-fighters and social workers, exhibiting renewal films, drawing cartoons, writing articles, publication of photographs of 'before' and 'after' effects of renewal programmes, etc., could be effectively done by news men.


The teachers' community can educate the slum people and also slum children in maintaining cleanliness, and observing habits of better hygiene. They can organize Boy Scouts to clean the vacant plots and promote the cause of clean and disciplined living. Similarly, the medical professionals can help slum dwellers through various organisations in maintaining group health.

Lawyers being indispensable members of citizen groups can help remoulding laws and regulations for gaining maximum success through improvement schemes. They may suggest amendments to the existing urban improvement laws which would help in bringing faster development and consequently arrest the growth of slums. They can also help in setting up a speakers bureau to explain renewal, and make available low cost legal advice from slum tenants. In Bombay a few lawyers have already started such services.

CONCLUSION

A gigantic task of combating with slum problem is a challenge of this era to the city planners and administrators, who make tall claims of building new settlements. A child if nourished well would certainly grow into a healthy young man. But, there requires more skill to diagnose the disease of a sick man and later to give him an appropriate treatment so that he becomes overall fit.

Every slum is unique in its origin, location, spread and population characteristics. Therefore, no set formula can be applied to all. The eradication of slum is necessary, but the problem is multidimensional and very delicate besides being humanitarian, political, social and economic. Therefore, curative and preventive, both the measures are essentially to be tried depending upon the situation.



The Slums: Clearance and Improvement

S.N. SINGH

POPULATION explosion has created enormous problems for different countries of the world. One major problem with which most of the countries of the world are faced is that of slums. They constitute the most important and persistent problem of urban life. In the West, the problem of housing and slums came to the forefront after the Industrial Revolution. In Britain, for example, with the rapid establishment of industrial units and simultaneous mechanization of agriculture, there was sudden influx from rural to urban areas.¹ About America, David Hunter said, "Slums are one of the America's major social and economic problems in the 1960s."² This has, by and large, been true all over the world. In India too, slums have developed particularly in the large industrial cities and towns and have now become a characteristic feature of our urban areas.

GROWTH OF URBAN POPULATION

The increase in the urban population has attracted the attention of the authorities all over and it is expressed that at no time has it posed a greater challenge to the world than today! The urban situation is not only alarming in poor and developing countries like ours; it is much more serious in the affluent and advanced countries of Europe and America.³ Such is the enormity of the change and the problem that urbanization has created. Table 1 gives the growth of urban population in India since 1901.

It could be seen from the Table 1 that the rise in urban population during the last 20 to 30 years has been alarming. According to demographers, by the end of this century, India's urban population may treble. In fact, while the increase in the total population since Independence has been 100 per cent,

¹Jagmohan, "Housing and Slum Clearance", *Indian Journal of Public Administration*, New Delhi, 1968, Vol. XIV, p. 694.

²David R. Hunter, "The Slums: Challenge and Response", New York, *The Free Press*, 1966, p. 1.

³Dr. Rafiq Zakaria, "Urban Chaos," *Illustrated Weekly of India*, Vol. XCV, Sept. 1, 1974.

Table I
GROWTH OF URBAN POPULATION IN INDIA SINCE 1901

<i>Census Year</i>	<i>No. of Towns</i>	<i>Total urban population (in millions)</i>	<i>Percentage of urban to total population</i>	<i>Percentage of growth in the urban population during the decade</i>
1901	1,888	25.8	10.8	—
1911	1,875	29.9	10.3	0.3
1921	2,012	28.1	11.2	8.3
1931	2,145	33.5	12.0	19.1
1941	2,329	44.2	13.8	32.0
1951	2,924	62.4	17.3	41.4
1961	2,461	78.9	18.0	26.4
1971	2,641	109.1	19.9	38.2

SOURCE : *Census of India, 1971, Government of India.*

the increase in our urban population has been 250 per cent. According to the 1971 Census there are 142 cities in the country which have population above one lakh and naturally need urgent attention.

Out of these there are nine cities in India which have a population of more than a million. The following table gives the population of these cities along with the growth rate.

Table II
POPULATION OF THE CITIES ALONGWITH GROWTH RATE

<i>Name of the city</i>	<i>Population (in million)</i>	<i>Growth rate 1961-71 per cent</i>
1. Calcutta	7.00	22.5
2. Greater Bombay	6.00	43.8
3. Delhi	3.60	54.6
4. Madras	3.20	63.0
5. Hyderabad	1.80	43.8
6. Ahmedabad	1.70	44.4
7. Bangalore	1.60	37.8
8. Kanpur	1.30	31.3
9. Poona	1.1	43.5

SOURCE : *Census of India, 1971.*

It could be drawn from the above discussion that the urban population has increased considerably and that there are good number of cities in India which need urgent attention because of their mere size.

OVER-CROWDING AND CONGESTION

The rapid increase in the urban population has resulted in over-crowding and congestion in urban areas. Most of our urban areas present an unhealthy picture. The density of population of important cities will show the extent of congestion in these areas. The density of population per sq. km. in the few important cities in India is given in the Table below.

Table III
DENSITY PER SQ. KM.

<i>Name of the town</i>	<i>Density per sq. km. (municipal limits)</i>
1. Calcutta	30,276
2. Greater Bombay	13,640
3. Delhi	—
4. Madras	19,293
5. Hyderabad	9,494
6. Ahmedabad	17,053
7. Bangalore	11,462
8. Kanpur	4,413
9. Poona	6,166

SOURCE : *Census of India, 1971.*

The above table shows the extent of overcrowding in nine important cities in the country. The situation in other important cities of smaller dimensions too is not very encouraging. The urban centres, therefore, are becoming more and more congested.

Any household with a person per room ratio of 1.51 or more can be regarded as crowded. A survey in Chicago revealed that the number of crowded household there has never been too many. On the other hand, a survey carried out in Delhi showed that 66 per cent households were living in only one room tenements while in Bombay it was found that one in every 66 persons was houseless.⁴ Some Indian slum areas, like those of Delhi, have 4,00,000 people to the square mile. In the Bombay tenements, ten people commonly live in a room ten by fifteen feet.⁵

⁴(i) T.R. Tewari, "Public Health Administration", *Indian Journal of Public Administration*, New Delhi, 1968, Vol. XIV, p. 710.

(ii) *Census of India, 1951*, Vol. XIX, 1963.

⁵Marshall B. Clinard, *Slum and Community Development, Experiment in Self Help*, New York, Free Press, 1966.

It is, thus, evident that the urban areas are to a great extent congested. Even the ratio of persons per room is high which leads to unhealthy and insanitary family and environmental life. Moreover, the average size of the urban households too has increased,⁶ and it may witness further increase resulting in further deterioration of living standards.

People who live under such crowded conditions, obviously have little privacy, a factor that may be of great importance, especially in its effect upon inter-personal relations. Poor slum housing is invariably associated with poor facilities and community services. Shortage of water, electric light and sanitary facility are quite common. A high incidence of deviant behaviour-crime, juvenile delinquency, prostitution, drunkenness, drug usage, mental disorder, suicide, illegitimacy and family adjustment, have long been associated with slum life everywhere.⁷

In view of the grave condition of slum life, the Central Government undertook and sponsored schemes and projects in those areas. Since these schemes were sponsored through the Five Year Plans, related discussion is imperative. It may, however, be of some significance to examine briefly the characterisation and the nature of slums before examining the slum clearance scheme in the Indian context.

NATURE OF SLUMS

* Industrialization, population explosion, poor housing conditions, over-crowding and congestion in the cities were generally responsible for the creation of such pockets which came to be called slums. They are the chief sources of crime and delinquency, of illness and deaths from disease.

Slums are of all types, shapes and forms. Bombay has its packed multi-storeyed chawls, New York its Harlem and its Lower East side, Chicago its Black Belt, and London its well-known East End.⁸

Families in Bangkok crowd together in "pile villages" composed of poorly constructed wooden shacks raised on wooden stilts along the water fronts. There are tin shacks, bamboo huts and straw hovels along the small lanes of Calcutta, Dacca and Lagos which steam with high humidity and stink from the open drain.⁹

Slums vary from one type to another, but certain general patterns of slum life are universal. Although slum is generally characterized by inadequate housing, deficient facilities, over-crowding and congestion, it involves much more than these elements. Sociologically, it is a way of life of sub-cultures with a set of norms and values, which is reflected in poor sanitation and health

⁶*Census of India*, 1961, Vol. XV, Uttar Pradesh, Part XV-A, p. 105. In the year 1911, the average size of the urban household was 4.54. In 1961 it increased to 5.03.

⁷Marshall B. Clinard, *op. cit.*, pp. 7-9.

⁸*ibid.*

⁹*ibid.*

practices and characteristic attributes of apathy and social isolation.¹⁰ Slum dwellers are isolated from the general power structures and are regarded as inferior, and they, in turn, harbour superiors of the outside world.

The slums of India have some peculiarity in them. It has been estimated that the slum population in the large cities run from 7 per cent to as high as 60 per cent of the total city population.¹¹ It is reported that more than three-fourths of the population of the city of Calcutta live in over-crowded tenements and busties (slum quarters).¹² Indian slum areas seldom have streets, more common and narrow, winding lanes and dark passage-ways. The people who live in these slums as well as the general public, usually call the slums in the various areas and cities by specific names that refer to the general housing or to the type of construction, materials used, and so forth. For example, there are lanes, katras, chawls, bustees, jhopries, jhuggies, ahatas and cheris.¹³

Katras are small single-room tenements, normally constructed in rows within large courtyards or enclosures having single entrances. The multi-storeyed buildings in the Bombay slums are called 'chawls' and they often house eighty or more families apiece. In many of their one-room tenement cubicles, sunlight never enters, and even at midday the rooms are dark. More than seven people, some times as many as two or three related families, live in each room.¹⁴ Sleep must often be taken in shifts as one-fifth of Bombay's population lives in tiny rooms shared by more than six people each.

Bustees are usually thick clusters of small dilapidated mud huts, often, with roofs or sides made of scraps of wood, gunny sacks, scrap metal, or other waste materials. Located in rather open areas of the city or away from the city centre usually on unauthorised land, they are of two types: Jhopries are huts made of stone and wood, Jhuggies are huts made of wood and straw. In cities like Kanpur, they are called Ahatas and are built within compounds or enclosing walls. In the cities of Southern India such as Madras, Madurai and Cochin, slums are called cheris, which usually consist of mud and thatched but similar to those of villages or are built of old kerosene tin plates.

Indian slum dwellers live under conditions of greater population density than areas in the great industrial centres of the West. Some critical observers have called the slums of India "the filthiest in the world". In fact, there are few slums anywhere that are really clean. For, the very nature of living in such areas presents problems of cleanliness. In the slums of India, however, the drains are generally open, the water is usually stagnant because of poor gradients, and the choked drains present sickening sights and

¹⁰Marshall B. Clinard, *op. cit.*, pp. 7-9.

¹¹Ministry of Works, Housing and Supply, *The Problem of Housing in India*, Delhi, National Printing Works, 1957, p. 16.

¹²Nirmal K. Bose, *Calcutta: A Premature Metropolis* in "Cities", New York, Alfred A. Knoff, Inc. 1965, p. 60.

¹³Marshall B. Clinard, *op. cit.*, p. 75.

¹⁴Ministry of Works & Housing, *op. cit.*, p. 12.

offensive odour. Refuse is everywhere, and the few available containers are seldom properly used. The municipal sweepers may even dump refuse into the drains and the children usually use them as latrines.

To quote an Indian public health expert, which explains the situation:

"Irrespective of whether the slums have a piped water supply and/or drainage, an invariable feature of slums is the fouling of open spaces, passages and streets by refuse, garbage and human excreta. Any visitor from abroad, with knowledge of the science of public health as now understood, cannot but be astounded by the sight of human excreta in open spaces and on streets, even in a well managed city like Bombay. It cannot be gainsaid that living in damp, insanitary, ill-ventilated and crowded houses in slums affects the health of the slum dwellers. Food garbage is indiscriminately thrown in the open spaces, which serves as a breeding ground for flies. These flies have already access to the faecal matter, left in the surroundings by children. They can easily contaminate all exposed food. The dangers inherent in consuming such food cannot be over-emphasised. Apart from diseases like typhoid, cholera and dysentery, diseases like ascariasis and hookworm are also spread by the exposed human excreta. In ascariasis, the eggs are taken in by children playing round about, while the hookworm infection is caused by penetration of skin, in case of persons moving about with bare feet. The indiscriminate throwing about of garbage and fouling of open spaces by human excreta are thus a danger to the health of the community, particularly in slum areas where this feature is most pronounced, and where people also have a generally low vitality."¹⁵

SLUM CLEARANCE SCHEMES

Slum clearance did not receive any priority in the First Five Year Plan as there were other pressing needs and priorities before the nation. It was only in the Second Plan that a provision for slum clearance and for housing of sweepers was made. Thus the scheme was introduced in 1956 as a centrally sponsored programme under which financial assistance was given to States and Union Territories for the clearance and improvement of slum areas and re-housing slum dwellers whose income does not exceed Rs. 350 per month. In its early stages the Central Government provided 75 per cent financial assistance (50 per cent as loan and 25 per cent as subsidy) and the rest 25 per cent was to be raised by the State Government.¹⁶ The State Government on its part, asked the local bodies to contribute 12½ per cent towards the

¹⁵S.V. Desai, *Public Health in Slum Areas* in Report of the Seminar on Slum Clearance, Bombay, Indian Conference of Social Work, 1957, p. 86.

¹⁶Government of India, Ministry of Works, Housing and Supply, 1957, *Slum Clearance Scheme—Grant of Loan and Subsidies to State Governments for Clearance/Improvement Projects*.

scheme. The total allocation on housing in this Plan was Rs. 120 crores out of which 20 crores were marked for slums clearance.¹⁷ In the Third Five Plan, total allocation for housing sector was Rs. 202 crores out of which Rs. 28.6 crores were marked for slum clearance and improvement schemes. The provision for skeleton houses and open developed plots, with a separate washing platform and latrines for each family was also made. However, the following table gives planwise allocation on slum clearance in the country alongwith tenents to be constructed.

Table IV
PLANWISE ALLOCATION ON SLUM CLEARANCE

Plan	Allocation (Rs. in crores)	
	Slum clearance	Tenements to be constructed
First	Nil	—
Second	20.0	1,10,000
Third	28.6	1,00,000
Fourth	60.0	Not mentioned

SOURCE : Respective Five Year Plans, Government of India.

It was reported few years back and can be seen from the table above that in the First Five Year Plan public investment in housing was 10 per cent of the total public sector investment. In the Second Plan it was only 8 per cent and in the Third Plan only 7 per cent. The draft outline for the Fourth Five Year Plan brings the figure still lower to 5 per cent.¹⁸ This illustrates the priority accorded to housing and slum clearance attached during the various Five Year Plans in the country.

After almost thirteen years, the slum clearance scheme was transferred to the State from April 1, 1969. Originally, it was a centrally sponsored scheme, but somehow it did not succeed and later on, the States were given the responsibility to carry out the scheme of slum clearance. In view of the vastness of the problem, the money provided for this scheme has generally been inadequate. It, therefore, has to be seriously thought as to how much additional investment could be made available to the scheme. The Housing Ministers' Conference held at Chandigarh in March 1964, recommended that improvement in pucca built slum dwellings should be financed by the way of 37½ per cent subsidy and 37½ per cent by way of loan from the Central Government and a 25 per cent subsidy from the State Government.¹⁹ The

¹⁷Government of India, *Second Five Year Plan*, Chap. XXVI, p. 561.

¹⁸*National Herald*, New Delhi, Aug. 19, 1968.

¹⁹Housing Ministers' Conference, held at Chandigarh, 1964. Recommendation No. 20.

Thacker Committee in 1965 recommended 100 per cent financial assistance—50 per cent as loan and 50 per cent as subsidy. The Government of India, however, has partially accepted the recommendation and decided to increase the financial assistance from 75 to $87\frac{1}{2}$ per cent — $37\frac{1}{2}$ per cent as grant and 50 per cent as loan. The balance $12\frac{1}{2}$ per cent is to be provided by the State Government and the local body concerned. The bar under this scheme carried interest which was repayable in 30 annual equated instalments. These loans are given by the Central Government to the State Government which distributes them to the local bodies and statutory Housing Boards. The ultimate responsibility for the repayment lies with State Government.

The slum improvement was taken up under the Fifth Five Year Plan also but with certain charge. Now it was provided that slum improvement will mean the improvements in various services, e.g., water supply, sewerage, community latrines, etc. This was indicated in the Fifth Plan period also under the Minimum Needs Programme. A provision of Rs. 13 crores is being made for this purpose.²⁰

The Government of India provided the financial assistance for the execution of slum clearance scheme. It has generally been observed that the money provided could not be fully utilized by the implementing agencies which ultimately resulted in the failure of the scheme. To illustrate this it may be pointed out that in Uttar Pradesh till March 1969, the total amount spent on slum clearance schemes was about Rs. 288.00 lakhs only. This implied the construction of 8,390 tenements, both single room single storeyed and single room double storeyed. But only 1,509 tenements could be completed. The townwise details are given in the table below:²¹

Table V
TOWNWISE CONSTRUCTION OF TENEMENTS UNDER SLUM SCHEME IN U.P.

<i>Name of the city</i>	<i>Tenements to be constructed</i>	<i>Tenements actually constructed</i>
Kanpur	6,044	6,042
Allahabad	241	144
Varanasi	365	183
Agra	240	60
Lucknow	1,224	1,020
Saharanpur	252	48
Nainital	24	12

It is evident from the table above that the expected target has not been achieved and, therefore, even the meagre sum could not be utilized for the

²⁰Government of India, *Fifth Five Year Plan Draft, 1974-79*, Vol. I, p. 90.

²¹Collected from the Loan Register of Slum Clearance Scheme, Housing Department, U.P. Government; and Government of India, *Third Five Year Plan*, Chapter XXXIII, p. 687.

purpose of the scheme. There may, however, be a number of factors and problems that the scheme had to face in the process of its implementation in various states. It may, therefore, be imperative to examine the problems faced by the Slum Clearance Scheme in various states.

Slum Clearance and State Legislation

For the purposes of slum clearance various states have got different Acts. In Uttar Pradesh, e.g., there was no single legislation to govern the slum clearance activity till 1962. The Acts that govern the working of different local bodies was also covered.²² The Second Five Year Plan recommended that the States should have a separate legislation for slum clearance on the lines of Central Slum Areas (Improvement and Clearance) Act, 1956, as amended in 1964. Consequently the State Governments took steps to have a separate legislation for the purpose. In U.P. a separate Act was passed in 1962 to govern the slum areas.²³

SOME PROBLEMS

Slum clearance projects did not succeed to the desired extent and the movement could not gather the required momentum. It was realized in the early fifties that the main difficulty which hampers large scale clearance of slum is inadequate financial resources of local bodies and the improvement trusts.²⁴ It is not only here but the paucity of finances for housing is one of the serious difficulties with which all the underdeveloped countries are faced. In India, the Plan priorities go to other sectors like agriculture, industry, defence, etc., and housing received a lower priority. It may be justifiable in view of the pressing problems that the country has been facing in food and other important sectors, but the fact remains that housing and slum clearance did receive a lower priority which, to some extent, affected even its partial eradication.

The wide gap between the 'rent' and the 'paying capacity' of the people has made the problem more difficult. Since the people had a very poor paying capacity, they were unable to pay even the subsidised rents under the slum clearance schemes.²⁵

It has been experienced that there is a serious lack of civic consciousness

²²The various acts are as under :

(i) The U.P. Municipalities Act, 1916.

(ii) The U.P. Town Improvement Act, 1919.

(iii) The U.P. Nagar Mahapalika Adhiniyam, 1959.

²³The U.P. Slum Area (Improvement and Clearance) Act, 1962.

²⁴Government of India, *First Five Year Plan*, Chap. XXXV, p. 605.

²⁵In Lucknow, a good number of sweepers who occupied the tenements constructed under slum clearance scheme, were reluctant to pay the subsidised rent fixed between Rs. 11 and Rs. 22 per month by the Lucknow Municipal Corporation.

towards the slum clearance schemes. Since most of the slum dwellers are uneducated, they are hardly aware of the problems and consequences emerging from the slum life. This fact was realized by the Government of India as well. The Second Five Year Plan, therefore, stressed the need for arousing strong public opinion to fight this situation.²⁶ Besides, it is also realized that the execution of the project has been a half-hearted measure. One reason for this may be the lack of spirit of dedication. But slums are a serious social ailment which has to be fought with strength and courage, both by the social reformer and the Government.²⁷ Our officers have yet to realize this. Unless the work of improving the living standards and the conditions of the poor is taken up with dedication, slum clearance project can hardly succeed.

Planning the project with adequate knowledge and information is another difficulty. As the socio-economic content of one town differs from another, the Second Plan recommended a socio-economic survey of the areas for which the schemes are framed.²⁷ This type of survey provides the planner relevant data needed for purposive planning. In the context, a reference to the Master Plan is important for it contains a detailed land-use and perspective plan for 15 to 20 years. The Master Plans could not play any effective role in spite of their importance for various reasons. One reason for this has been that the preparation of Master Plans for the cities involves a lot of money which the city governments find difficult to pay. Those who could afford to pay, got their Master Plans prepared. Their number is, however, small. But the implementation of the Master Plan was a difficult task as there was no single authority to implement the provision of the Master Plan. Due to legal sanction behind these plans the local bodies could not get through them smoothly and ultimately, they remained only paper plans.

* The Third Five Year Plan experienced number of difficulties in the execution of slum clearance scheme, such as :

- (i) Lengthy and time consuming procedure of acquisition of slum areas;
- (ii) Non-availability and high cost alternative sites near existing places of work;
- (iii) Inability of slum dwellers to pay even subsidised rent; and
- (iv) Reluctance to move from the areas selected for clearance.

These were the difficulties which the State Governments too faced in the implementation of the slum clearance schemes.

The slum clearance movement could not succeed due to various factors and a non-pragmatic approach was one of them. In the beginning there was no assessment of the problem and the money was pooled, even though a small sum, without adequate planning. It also lacked proper execution on the part

²⁶Government of India, *Second Five Year Plan*, Chap. XXVI, p. 561.

²⁷*Ibid.*

of the local authorities and many of them were frightened to take up new projects for slum clearance.

In view of the experience about the slum clearance schemes, the Government found it difficult to clear the slums altogether. This resulted in a major policy change. Thus, instead of slum clearance, the emphasis had to be shifted on improving the slums. It is believed that the slums will continue to be there but improvements could be made in health condition, provision of public utilities, etc. In view of this the Government of India launched the Slum Improvement Scheme in place of Slum Clearance under the Minimum Needs programme. This scheme has been in progress for the last few years and with some success.


SUGGESTIONS

There are no two opinions about the fact that slums are a disgrace to the country and it is a matter of regret that Governments, both Central and State, have so far paid little attention to this acute problem. Congestion, insanitation and over-crowding remain the main characteristics of our urban areas. Population explosion, provision of inadequate housing accommodation and civic amenities have added to the cause of slums. These will go on multiplying if proper steps are not taken for their improvement and clearance.

The financial difficulty has existed in the past and will continue to be there. But it should not mean the neglect of human beings in a society like ours. It, therefore, has to be thought what new sources could be made available for the preparation and execution of these schemes. The Central Government has so far been shouldering the sole burden. It will be appreciated if the State Government too comes forward and shares the responsibility for financing the project. For, this is a problem of vast nature and the local authorities find themselves financially unable to share it.

Planning without adequate knowledge and thinking will serve no purpose. It is expedient if a socio-economic survey of the area is conducted before planning the project. For proper execution of the schemes the officials need to develop an attitude of service which may lead to success and the improvement of the social, environmental and cultural life of the individual.

Mobilization of public to improve the living conditions in the slum areas can also help to a great extent. The role of social and political workers in this context is important. They can play a vital part in the uplift and the improvement of slum dwellers because it is a social revolution in which they should have an upper hand. But so far they too have been engaged otherwise than in the real work of arousing civic consciousness and social uplift.



Pattern of Urban Movements in India During 1961 and 1971

A. NAG

URBANIZATION has not been an even process in India. The increase in the overall rate of urbanization¹ has not been consistent with townclass movements. During a census decade, many towns have moved upwards in the hierarchical levels;² but, a large number of towns have also degenerated into lower size classes including those which have been de-urbanized or declassified as urban areas. The present paper makes an attempt to examine the nature and extent of urban evolution and degeneration³ in India during 1961 and 1971.

The analysis is done for whole of India and 15 major states which accounted for approximately 95.0 per cent⁴ of the total towns and urban population of the country 1971 (Table 1).

MOVEMENT MATRICES

During 1961-71, the ratio of urban population to total population increased from 0.18 to 0.20. The increase in the total number of towns during this period was much more significant, namely, from 2,699 to 3,119 (15.9%).⁵

Against this overall advancement in the pattern of urbanization in India, the inter-townclass movements including the emergence of new towns and declassifications of old towns show some interesting results. The inter-townclass movements have been shown through a series of matrices constructed for India and one each for the 15 major States. The constructed matrices are shown in Table 3.

The rows in each matrix show the towns of 1961 and the columns the towns

¹Defined as the ratio of urban population to total population.

²The hierarchical levels correspond to six size classes (I, II, III, IV, V and VI) specified by the census.

³'Evolution' indicates an upward movement and 'degeneration' a downward movement in terms of town classes.

⁴The percentage in 1961 was not very different.

⁵By the new town index, the rate of urbanisation during 1961-71 would appear to be much higher than by urban population index. This is because the rate of growth of rural population in India is much higher than that of urban population.

Table 1
TOWNS AND URBAN POPULATION OF MAJOR STATES IN INDIA, 1971

<i>State</i>	<i>Towns No.</i>	<i>per cent</i>	<i>per cent of urban population</i>
India	3,119	100.0	100.0
Andhra Pradesh	224	7.2	7.7
Assam	74	2.4	1.2
Bihar	202	6.5	5.2
Gujarat	216	6.9	6.9
Haryana	65	2.1	1.6
Karnataka	245	7.9	6.5
Kerala	88	2.8	3.2
Madhya Pradesh	250	8.0	6.2
Maharashtra	289	9.3	14.4
Orissa	81	2.6	1.7
Punjab	108	3.5	3.0
Rajasthan	157	5.0	4.2
Tamil Nadu	439	14.1	11.4
Uttar Pradesh	325	10.4	11.4
West Bengal	223	7.2	10.1
Others	133	4.1	5.3

Source : *Census of India, 1971*: Series 1—India, General Population Tables.

of 1971. Each element a_{ij} in a matrix indicates the movements (evolution or degeneration) of i th townclass in 1961 to the j th townclass in 1971. In addition to the six town classes enumerated in the census, in each matrix, there is another townclass, viz., VII. Townclass VII indicates 'not town' VII-row shows the new towns of 1971 and VII-column shows the towns of 1961 declassified in 1971. In any matrix, the total number of towns either in 1961 or 1971 have to be derived from the total columns and rows. The number of towns in 1961 is given as

$$\sum_{j=1}^7 a_{1j} - \sum_{j=1}^7 a_{7j}, i = VII$$

Similarly, the total number of towns for 1971 would be given as

$$\sum_{j=1}^7 a_{1j} - \sum_{j=1}^7 a_{7j}, i = VII$$

SOURCE OF DATA

The data for the movement matrices have been compiled from Census of India, 1971 : Series I—India, Part II-A (i), General Population Tables. The

census contains a number of statements like total number of towns in different size classes during 1901-1971, the emergence of new towns in 1971, places classified as towns during 1961 but deurbanized during 1971, movements of towns from one size class to another during 1961-71, etc.⁶ Four of these statements have been used for construction of the movement matrices in the present study. They are

Table A—IV	Statement 7
	Statement 5
	Statement 14
Table A—I	Statement 8

Statement 7 has provided the basic raw materials for the matrices. Other statements have been used for cross-checks and for ensuring internal consistency among the census estimates.⁷

Correction of Census Data

The statements, arranged in matrix forms, do not appear to be internally consistent. In none of the matrices,⁸ total number of towns in 1961, after adjustments for new towns and deletions in 1971, match with the total number of towns in 1971. The equation between 1961 and 1971 is established as

$$T_{1971} = T_{1961} + VII, 1961 T_{I-VI, 1971} - VII, 1971 T_{I-VI, 1961}$$

Where T_{1971} = Total towns in 1971

T_{1961} = Total towns in 1961

$VII, 1961 T_{I-VI, 1971}$ = New towns in 1971

$VII, 1971 T_{I-VI, 1961}$ = Towns of 1961 declassified in 1971

The use of this test reveals the lack of consistency in census tabulations or statements. This has necessitated the introduction of suitable correction factors to complete the matrices and to make the census data internally consistent.

The fallacy or anomalies seem to lie in the reporting of new towns and their class distributions. In most of the matrices, the column totals exceed the number of towns in size class in 1971 given in Statement 5 (A-IV). The existing towns are more likely to be correctly reported than the new towns. On this

⁶The census is quite comprehensive in this respect.

⁷Also, these statements have been consulted because Statement 7 which shows the movements of towns from one class to another during 1961-71 is rather cumbersome and does not lend itself to straightforward interpretation. For example, it is difficult to see why two separate statements, viz., (a) and (c) have been made to indicate the degeneration of towns from 1961 to 1971.

⁸Except for Punjab and Rajasthan.

assumption, adjustments have been made in the new towns of 1971, *i.e.*, row VII. Because of such adjustments, the row total of VII may not match with Statement 8 (A-I).

However, the adjustments are small (and some cases marginal) and do not significantly affect the main matrix of movements.

EVOLUTION AND DEGENERATION OF TOWNS

The summary of urban movements in terms of evolutions, degenerations and stationary towns is shown in Table 2.

Table 2
URBAN EVOLUTIONS, DEGENERATIONS AND STATIONARY TOWNS IN INDIA, DURING 1961-71

State	Towns			
	Total ¹	Evolved ²	Stationary	Degenerated ³
India	3244	1369	1720	155
Andhra Pradesh	261	94	127	40
Assam	74	48	25	1
Bihar	202	95	104	3
Gujarat	227	91	122	14
Haryana	65	27	38	0
Karnataka	254	89	154	11
Madhya Pradesh	253	118	131	4
Maharashtra	289	114	171	4
Kerala	103	31	52	20
Orissa	81	48	31	2
Punjab	111	28	79	4
Rajasthan	157	54	103	0
Tamil Nadu	478	229	210	39
Uttar Pradesh	325	132	189	4
West Bengal	223	101	121	1

Note : Evolved towns are obtained from the lower triangular matrix; stationary towns are the totals of the diagonal elements; and, the degenerations are estimated from the upper triangular matrix.

¹Represents grand total, *i.e.*, $\sum_j \sum_i a_{ij}$ for each matrix.

²Includes new towns.

³Includes declassifications.

In India and all the major States (except Assam, Orissa and Tamil Nadu) the number of stationary towns are maximum,⁹ urban evolutions stand second among the three categories of movement; and, in a decade of comparatively rapid urbanization, although, it is usual that urban degenerations would be either nil or negligible, in some States (also in the country as a whole), urban downgrading, including deurbanizations, is rather significant.

The differences in the pattern of distribution of the total number of towns among the three categories indicates the relative urban bias or the pace of urban development in different regions or states. In Punjab and Rajasthan, the proportions of stationary towns are the highest (about 0.70 per cent each). In Uttar Pradesh and Maharashtra, the proportion is about 0.60. The lowest proportions are in the two eastern states of Assam and Orissa (about 0.35 per cent each). Conversely, these two states show the highest urban evolutions.¹⁰ In Tamil Nadu, the evolutions are marginally higher than the stationary towns. Urban degenerations are almost confined to the southern states. All the southern States show a large number of degenerated towns, the number being particularly high in Andhra Pradesh (40) and Tamil Nadu (39).

LOP-SIDED URBAN DEVELOPMENT

Also, neither evolutions, nor stationary towns nor degenerations are evenly distributed over the various townclasses. A particular category of movement is more predominant in a particular townclass or classes than in others. The movement matrices characterise, in general, the lop-sidedness of urban development in India in terms of townclass movements.

The movement matrices indicate that the large towns¹¹ or cities have generally remained stationary.¹² The medium towns have either remained stationary or moved upwards; downgrading is generally absent among these towns. Most of the downward movements are in small towns (IV, V and VI).

Most of the small and some medium towns in India seem to be caught in a 'low level equilibrium trap'. These towns have not been able to acquire 'critical minimum mass' in terms of industrial and infrastructural development necessary to generate their own growth cycles and sustain the same; and, therefore, continue to be the stagnating or decaying partners in the overall process of urban growth.¹³

⁹And, among the stationary towns, only 5.0 per cent or less are class I towns; so, there were possibilities for most of the stationary towns to shift to the higher towns classes.

¹⁰Also 0 and 2 degenerated towns respectively.

¹¹All class I towns may be called large towns or cities; class II and class III towns may be classified as medium towns; and, all urban areas with population 20,000, *i.e.*, class IV, V and VI towns may be defined as small towns.

¹²Because, according to the census scheme of town classifications, those cannot move further upwards. But, in terms of population, most of these have grown larger during 1961-71.

¹³Fully concerned about this problem, the Government of India has appointed a Task Force to examine the planning and development of small and medium towns and to make suitable recommendations for their growth.

Table 3

A MOVEMENT MATRIX FOR TOWNS DURING THE CENSUS DECADE 1961-71

INDIA

1971 : 3119

1961 : 2699		<i>I</i>	<i>II</i>	<i>III</i>	<i>IV</i>	<i>V</i>	<i>VI</i>	<i>VII</i>	<i>Total</i>
	I	106	1	0	0	0	0	0	107
	II	44	94	0	1	0	0	0	139
	III	1	116	390	8	0	0	3	518
	IV	0	3	223	549	11	2	32	820
	V	0	1	11	320	438	8	69	847
	VI	0	0	0	1	104	142	21	268
	VII	0	4	28	108	267	138	0	545
Total		151	219	652	987	820	290	125	3244

ANDHRA PRADESH

1971 : 224

1961 : 223		<i>I</i>	<i>II</i>	<i>III</i>	<i>IV</i>	<i>V</i>	<i>VI</i>	<i>VII</i>	<i>Total</i>
	I	11	0	0	0	0	0	0	11
	II	2	6	0	1	0	0	0	9
	III	0	12	38	1	0	0	0	51
	IV	0	0	20	46	1	0	6	73
	V	0	0	0	20	23	0	29	72
	VI	0	0	0	0	2	3	2	7
	VII	0	0	3	11	19	5	0	38
Total		13	18	61	79	45	8	37	261

ASSAM
1971 : 74

	I	II	III	IV	V	VI	VII	Total
1961 : 54								
I	1	0	0	0	0	0	0	1
II	0	1	0	0	0	0	0	1
III	0	4	6	0	0	0	0	10
IV	0	0	3	7	0	0	0	10
V	0	0	1	13	6	1	0	21
VI	0	0	0	0	7	4	0	11
VII	0	0	0	6	11	3	0	20
Total	1	5	10	26	24	8	0	74

BIHAR
1971 : 202

	I	II	III	IV	V	VI	VII	Total
1961 : 153								
I	7	0	0	0	0	0	0	7
II	2	5	0	0	0	0	0	7
III	0	3	29	1	0	0	0	33
IV	0	0	16	36	0	0	0	52
V	0	1	1	20	22	2	0	46
VI	0	0	0	0	3	5	0	8
VII	0	2	5	15	22	5	0	49
Total	9	11	51	72	47	12	0	202

GUJARAT
1971 : 216

	I	II	III	IV	V	VI	VII	Total
1961 : 181								
I	6	0	0	0	0	0	0	6
II	1	8	0	0	0	0	0	9
III	0	10	32	1	0	0	0	43
IV	0	0	6	46	1	0	1	54
V	0	0	0	23	28	1	8	60
VI	0	0	0	0	5	2	2	9
VII	0	0	4	3	37	2	0	46
Total	7	18	42	73	71	5	11	227

HARYANA
1971 : 65

	<i>I</i>	<i>II</i>	<i>III</i>	<i>IV</i>	<i>V</i>	<i>VI</i>	<i>VII</i>	<i>Total</i>
1961 : 61								
I	1	0	0	0	0	0	0	1
II	1	6	0	0	0	0	0	7
III	0	3	8	0	0	0	0	11
IV	0	0	6	9	0	0	0	15
V	0	0	0	6	9	0	0	15
VI	0	0	0	0	7	5	0	12
VII	0	0	0	0	4	0	0	4
Total	2	9	14	15	20	5	0	65

KARNATAKA
1971 : 245

	<i>I</i>	<i>II</i>	<i>III</i>	<i>IV</i>	<i>V</i>	<i>VI</i>	<i>VII</i>	<i>Total</i>
1961 : 231								
I	5	1	0	0	0	0	0	6
II	5	4	0	0	0	0	0	9
III	0	6	26	1	0	0	1	34
IV	0	0	16	64	0	0	1	81
V	0	0	0	25	33	0	6	64
VI	0	0	0	0	14	22	1	37
VII	0	0	0	15	4	4	0	23
Total	10	11	42	105	51	26	9	254

KERALA
1971 : 88

	<i>I</i>	<i>II</i>	<i>III</i>	<i>IV</i>	<i>V</i>	<i>VI</i>	<i>VII</i>	<i>Total</i>
1961 : 92								
I	4	0	0	0	0	0	0	4
II	1	4	0	0	0	0	0	5
III	0	3	23	3	0	0	2	31
IV	0	0	12	12	1	0	8	33
V	0	0	1	3	8	1	5	18
VI	0	0	0	0	0	1	0	1
VII	0	0	4	7	0	0	0	11
Total	5	7	40	25	9	2	15	103

MADHYA PRADESH

1971 : 250

		<i>I</i>	<i>II</i>	<i>III</i>	<i>IV</i>	<i>V</i>	<i>VI</i>	<i>VII</i>	<i>Total</i>
1961 : 219	I	6	0	0	0	0	0	0	6
	II	5	1	0	0	0	0	0	6
	III	0	13	22	0	0	0	0	35
	IV	0	0	20	36	0	1	0	57
	V	0	0	0	35	61	0	2	98
	VI	0	0	0	0	11	5	1	17
	VII	0	0	1	3	24	6	0	34
	Total	11	14	43	74	96	12	3	253

MAHARASHTRA

1971 : 289

		<i>I</i>	<i>II</i>	<i>III</i>	<i>IV</i>	<i>V</i>	<i>VI</i>	<i>VII</i>	<i>Total</i>
1961 : 266	I	12	0	0	0	0	0	0	12
	II	5	10	0	0	0	0	0	15
	III	0	13	34	0	0	0	0	47
	IV	0	1	28	58	2	0	0	89
	V	0	0	0	36	50	2	0	88
	VI	0	0	0	0	8	7	0	15
	VII	0	1	3	4	10	5	0	23
	Total	17	25	65	98	70	14	0	289

ORISSA

1971 : 81

		<i>I</i>	<i>II</i>	<i>III</i>	<i>IV</i>	<i>V</i>	<i>VI</i>	<i>VII</i>	<i>Total</i>
1961 : 62	I	1	0	0	0	0	0	0	1
	II	2	1	0	0	0	0	0	3
	III	1	1	6	0	0	0	0	8
	IV	0	0	11	9	2	0	0	22
	V	0	0	1	12	12	0	0	25
	VI	0	0	0	0	1	2	0	3
	VII	0	0	2	2	15	0	0	19
	Total	4	2	20	23	30	2	0	81

PUNJAB
1971 : 108

1961 : 109		<i>I</i>	<i>II</i>	<i>III</i>	<i>IV</i>	<i>V</i>	<i>VI</i>	<i>VII</i>	<i>Total</i>
	I	4	0	0	0	0	0	0	4
	II	0	4	0	0	0	0	0	4
	III	0	4	19	0	0	0	0	23
	IV	0	0	3	20	0	0	0	23
	V	0	0	0	12	22	1	0	35
	VI	0	0	0	0	7	10	3	20
	VII	0	0	0	1	1	0	0	2
	Total	4	8	22	33	30	11	3	111

RAJASTHAN
1971 : 157

1961 : 145		<i>I</i>	<i>II</i>	<i>III</i>	<i>IV</i>	<i>V</i>	<i>VI</i>	<i>VII</i>	<i>Total</i>
	I	6	0	0	0	0	0	0	6
	II	1	3	0	0	0	0	0	4
	III	0	4	19	0	0	0	0	23
	IV	0	0	11	41	0	0	0	52
	V	0	0	0	21	30	0	0	51
	VI	0	0	0	0	5	4	0	9
	VII	0	0	1	5	6	0	0	12
	Total	7	7	31	67	41	4	0	157

TAMIL NADU
1971 : 439

1961 : 339		<i>I</i>	<i>II</i>	<i>III</i>	<i>IV</i>	<i>V</i>	<i>VI</i>	<i>VII</i>	<i>Total</i>
	I	9	0	0	0	0	0	0	9
	II	8	11	0	0	0	0	0	19
	III	0	14	47	0	0	0	0	61
	IV	0	2	29	73	0	0	15	119
	V	0	0	0	31	45	0	19	95
	VI	0	0	0	0	6	25	5	36
	VII	0	0	3	14	46	76	0	139
	Total	17	27	79	118	97	101	39	478

UTTAR PRADESH

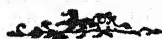
1971 : 325

1961 : 262		<i>I</i>	<i>II</i>	<i>III</i>	<i>IV</i>	<i>V</i>	<i>VI</i>	<i>VII</i>	<i>Total</i>
	I	17	0	0	0	0	0	0	17
	II	5	13	0	0	0	0	0	18
	III	0	8	47	1	0	0	0	56
	IV	0	0	22	57	2	0	0	81
	V	0	0	1	30	47	1	0	79
	VI	0	0	0	0	8	8	0	16
	VII	0	0	1	12	37	8	0	58
	Total	22	21	71	100	94	17	0	325

WEST BENGAL

1971 : 223

1961 : 184		<i>I</i>	<i>II</i>	<i>III</i>	<i>IV</i>	<i>V</i>	<i>VI</i>	<i>VII</i>	<i>Total</i>
	I	12	0	0	0	0	0	0	12
	II	3	16	0	0	0	0	0	19
	III	0	15	31	0	0	0	0	46
	IV	0	0	16	28	1	0	0	45
	V	0	0	1	21	28	0	0	50
	VI	0	0	0	1	5	6	0	12
	VII	0	0	1	10	25	3	0	39
	Total	15	31	49	60	59	9	0	223



Book Reviews

Management of Urban Government in India by MOHIT BHATTACHARYA,
New Delhi, Uppal Book Store, 1976, Rs. 50.

What precisely is the urban management problem in India? Mohit Bhattacharya would have us believe that the basic problem can be stated thus: there is no clarity about what the elected local Councillor should do, nor is there any clarity about what the appointed commissioner/executive officer should do. By "management" he means both the Councillors and the key appointed officials—and he refers to both the structure and operation of urban public organizations. He opines that the managerial input currently available in our major urban areas falls far short of expectation. Municipal efficiency will, therefore, in future depend greatly on the quality of the 'urban managers' who will be called upon to run the administration of our major cities.

It is rather unfortunate that Bhattacharya, one of our very able commentators on organizational science, should have tried to deal with a major issue like urban management in a medley book of periodical articles written at various times in a period of four years. The subject itself is of quite recent origin, as Bhattacharya himself concedes, and at its nascent stage perhaps it deserved a more systematic and sustained analysis which Bhattacharya is quite capable of. In a book of fourteen chapters, I would reckon at least six chapters to be vaguely related to and at least two more to be of only peripheral interest to the main topic.

It is quite obvious that as a nation our attitude to the civic bodies has been somewhat ambivalent and our approach has essentially been adhocish. This is sufficiently corroborated by the historicity of the local bodies in this country—an empirical approach very rightly encouraged by Bhattacharya for an appreciation of the current situation in the field—as also by the prevalent State-Municipal relationship. In most instances, the municipal bodies were looked upon as 'soft' institutions which were mainly meant to be schools of political education. At the moment, also the political parties do not seem to have developed any real commitment to local self-government. On the other hand, the ever-increasing State intervention in municipal affairs, municipal dependence on State munificence and powerful centripetal forces have led to what has been described as the "sovereignty trap". From all accounts, therefore, Bhattacharya may be right in predicting that municipal self-government may suffer at least a partial eclipse in future.

But how far will the endogenous inefficiency, bankruptcy and other associated and well-known evils be responsible for such a situation, should it come about? Will not, one is tempted to ask, the exogenous factors and compulsions be similarly responsible? If the answer be in the affirmative, we go back to the question we had started with. It may not be entirely correct to look for all the factors of urban mismanagement within the urban institutions themselves—however convincing and unavoidable these might be—but also look for the surrounding management environment in the country as such, especially in the civic sector. Bhattacharya has heroically attempted to synthesise the management concepts in the corporate sector—like personnel management, motivation, decision-making principles, etc., in this particular sector of the civic sector, and to a great extent perhaps there lies the crux. I said ‘heroically’, because the “management culture” itself in the corporate sector in our country is not of very old origin either. To induct some of the concepts from that field to the urban management area cannot, therefore, be very easy. In “The Wonderland of Indian Managers” it is to be noted that the city managers do not find a place, possibly because they do not exist.

To be sure, urban institutions in India were destined to be mismanaged from their very inception. That is because we lacked the correct perspective to comprehend the urban areas as a complex of habitable, productive, serviceable, political and civic forces. Perhaps we immersed ourselves too much with political forces only—of a nationalist hue before independence and local democracy thereafter, which still evoke nostalgia and parochial fervour even now amongst many. That these sentiments were not in contradiction with the other equally potent forces, and need not be even now, has never been fully realized in this country. And there, I think, lies the basic malady of urban management in this country.

Looked at from this point of view, city management would be a far more complicated job than a firm management. How does one identify the tasks of the city managers? What level of expertise is expected? Where do we get them? These and a host of other questions are therefore important. Bhattacharya has set the ball rolling. Any takers?

—KALYAN BISWAS

Big City Government in India—Councillor, Administrator, and Citizen in Delhi by PHILIP OLDENBURG, Association for Asian Studies, Tucson, Arizona, 1976, pp. 400+XIII.

The book is a revised version of the author's Ph.D. dissertation, completed in 1974 for the Department of Political Science of the University of Chicago. To put it in the author's own words, the study “describes and analyzes the way municipal government in Delhi works, particularly at the ward level,

within a system of decentralised administration". To this extent and in that direction it is an admirable job. The author's erudition and understanding of the ward, its *mohalla*, *Kuchas* and *Katras*—its *chaudhris* and *biraadaris*—its *samitis* and *bastis*, has been extremely penetrating and well portrayed. According to the author, the study is a 'political ethnography', i.e., a political scientific description of races of men. The study has been mainly directed to the 'ward and also to the zone' and the zonal system which was conceived and inaugurated by Municipal Corporation of Delhi in 1962-63. It, however, does not deal with the main body, (due to lack of means) which in fact is the fountain-head of the zonal system, in the same systematic, scientific and thorough manner which was employed in the study of the ward and the zone.

Whereas the councillor-administrator, councillor-citizen and citizen-administrator relationship at the ward/zone level has been surmised extremely well—there is a void in the study as far as similar relationships at the Corporation level are concerned. The service rendered in the ward chosen for study is mainly maintenance and small works. The large scale development projects, identification of urban problems, controlling layouts and land use, building bridges, fly-overs and road projects, commercial 'money spinner' schemes, health and education works, slum clearance and re-settlement projects, regularization of hundreds of unauthorised colonies, their surveys, plans and proposals, the problems of innumerable urban villages—in other words the entire gamut of municipal corporate management and planning which is handled at the town hall has remained unfathomed and what the author has missed are the equally frequent site inspections, meetings and interaction with the public, councillors, etc., which the officers at the town hall go through. A glimpse of these would have changed the views expressed in the book that the officials at the town hall or at senior levels are insulated from public and councillor interaction. (pp. 273 and 334).

The 'constituency fund' which has enabled the author to convert the councillor into an administrator, had its good points as well as bad points. It served a useful purpose for 'planning from bottom' in addition to the main 'planning from top' provided the money was thoughtfully utilised. The author's contention that the Commissions from the 'higher' levels of government, like the Morarka Committee, were horrified by its existence because the constituency fund provided for the councillors' legitimate entry into the process of routine administration does not appear to be well founded (p. 345). Possibly due to limitation of time, the author could not study, how large amounts of money from this fund were wasted by digging up existing bitumenous roads in good condition to provide concrete and flag stone pavements. In some wards of city zone where all streets were paved with cement concrete and the councillor had no use of his constituency fund, he would issue letters (like cheques from his bank account) and his fund should be transferred to some other councillor. In spite of the fact that many restrictions were placed on the type of works that could be undertaken through this fund, it was noticed that to a great

extent these funds were being utilized in works whose utility was not of any pressing need. A large number of monstrous concrete gates for parks, which serve no useful purpose and in fact spread visual squalour throughout the city, are standing testimony of wasteful expenditure running into hundreds of thousand rupees from this constituency fund.

While discussing the methodology (p. 8) the writer rightly says that he is unable to give precise details of his reasons for selecting this particular ward (*i.e.*, the ward he chose to study and called it by a pseudonym of Kucha Khirkiwalan) although his original intention was to study several wards which plan succumbed due to lack of means. For proper appreciation of a big city government in India, it would have been appropriate to study a variety of wards as well as the working of major departments involved in tackling the bigger issues of urban development. Unfortunately, the Kucha Khirkiwalan area is an old, already built up locality and has none of the environment and atmosphere of a newly developing area. The walled city holds a strong fascination for most of visitors from abroad and probably there is nothing like this (walled city) any where in the world. However, the fast developing Delhi has a variety of areas where this big city government is tackling urban problems for its citizens through different ways and means. For proper appreciation, wards should have been picked up for study from different areas. Western sector and Trans-Jamuna areas pose urban problems which are being tackled on a large scale. Yet another ward in the South Zone where new areas are being controlled, guided and developed and a section containing urban villages which are being swallowed up by the new developments and some major departments like engineering, town planning, health and education at town hall would have completed the picture. Eighteen months is a sufficient period to cover these areas which would give an adequate feel of the working of a big city government in India. The study as conducted is adequate only as far as description and analysis of the municipal government in Delhi at the level of a 'typical' ward and within a system of decentralised administration is concerned. It is in fact in outer areas where urban growth problems are being handled that one finds associations, cooperative societies, mohalla samitis and other similar organizations having direct interaction with the town hall. All this the author has missed due to his limited choice of one single ward for his study and unfortunately it is a ward which is nowhere near the arena where the big city government is fighting its battle with the growing urban problems.

In chapter 3 entitled 'The Councillor of Kucha Khirkiwalan', the author has come to the conclusion that the councillor does not discriminate against voters or party workers of the opposition. Where as this may be as far as this particular ward is concerned, instances are not lacking where budget from constituency funds was refused for this particular reason.

In chapter 5, 'Shahjahanabad and the city zone', the author has taken pains to prove a notion that Shahjahanabad is an Islamic city. Not many will agree

with his laborious explanations (pp. 153-157) which have been based on Xavier de Planhol's general characteristics of Islamic Cities. The author has himself pointed out that Black has argued persuasively that Shahjahanabad even at its height, before 1740, decidedly did not fit the "Islamic City" model. That some 'Islamic City' features like Jama Masjid may have developed later, but that does not justify the author's contention.

In chapter 9, 'Summary, conclusions, implications', it has been mentioned that the rural areas in some 300 villages with a population of about 500,000 hardly have municipal problems at all (p. 330). This view has been expressed presumably because the author has not studied the problems of these villages in detail. The rural areas have some pressing municipal problem—specially in form of poor drainage, inadequate water supply, lack of sanitation and other infrastructure facilities. As a matter of fact, rural area councillors were rarely satisfied with municipal services rendered.

One another interesting conclusion that the author has arrived at (p. 335) is that 'Politics' (*i.e.*, partisan conflict) at Zonal committee level was almost non-existent. All that I can say is that he has missed quite some scenes in some of the Zones. One might die of tension but never of boredom in these committees.

The Municipal Corporation of Delhi was superseded in March, 1975 and since that date there has been no councillor in Ward Kucha Khirkiwala or for that reason in any other ward; yet the maintenance of services, new works and projects, public interaction, etc., have been going on pretty well and there are many in this city who feel that there is far less wastage of funds and that service is quite efficient. The author has mentioned about senior officers and the Commissioner being insulated from the public. In answer, I can only suggest a visit to the Commissioner's residence any morning which will reveal a larger public there than in the Chandni Chowk.

There are a few minor factual efforts which I would like to point out for record:

- (i) Fig. 1 (p. 5) shows in dotted line.... 'Limits of Urban Area' for Delhi Union Territory. Limits of Urban Area are altogether different as per Delhi's Master Plan.
- (ii) The writer was informed by a section officer of Slum Department that even after 1962 the Department was funded by the Central Government (p. 77). Some of the slum clearance projects were financed by the Central Government either as grants or as loan. The department as such was under the Municipal Corporation of Delhi.
- (iii) At page 288, in Fig. 20—The Corporation Meeting Hall 1969-70, the space shown for deputy commissioners was in fact meant for Chairman of Statutory Committees like the Standing Committee,

Delhi Electric Supply Committee, Water Supply & Sewerage Disposal Committee, etc.

- (iv) At page 295 initials of Mr. Titus should be L.S. and not T.S.

—H.U. BIJLANI



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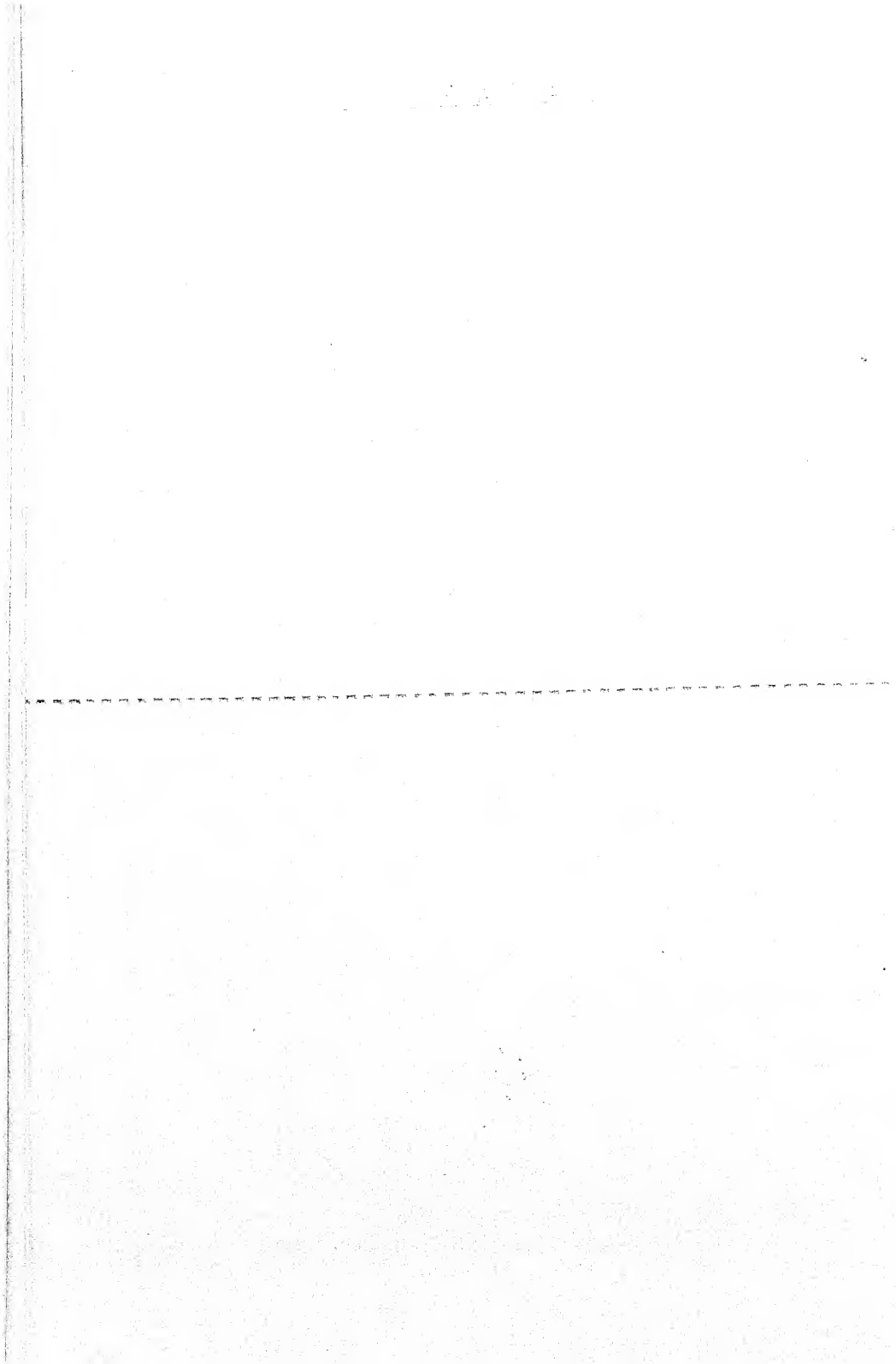
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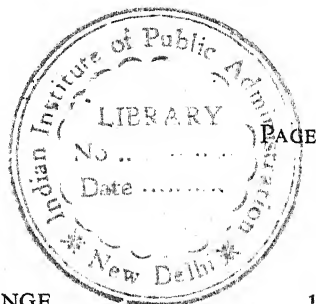
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Special Issue
on
URBAN STUDIES

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EDITORIAL

The publication of this Special Issue on "Urban Studies" has been made possible through the generous offer by the Social Scientists' Association of the Town and Country Planning Organisation. The papers were originally written for discussion by the members of the Association—a group of young social scientists working on urban problems—and then selected from the point of view of their suitability for publication in *Nagarloka*. Altogether eight articles were identified for publication. All these cover some aspects of urban studies in India. We are indeed grateful to the individual paper writers for their contribution and would look forward to more articles on the areas already identified, as also on other aspects not covered so far.

As has been the practice in our past Special Issues, we have included a Book Reviews Section and a Select Recent Bibliography on Urban Studies prepared to relate to the theme of the Special Issue. It is hoped that this publication will represent a welcome addition to the scanty literature on the subject.

—Editor

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*Human Settlements and Social Change**

T.K. MAJUMDAR

HUMAN settlements, urban or rural, are not self-contained social entities but are the end-product of the socio-economic and technological changes operating at the societal level. They provide the structure within which these changes are focused in an interacting system of human activities in space and time. It is in this sense that human settlements constitute the environmental conditions for the social life as it is lived, in the manner of speaking, on the ground. Behind the physical structure of a habitat, its buildings, its life support systems and variety of community services lies the social community—its workday life, values culture, familial ties, class and caste relations and personal bonds.

Human settlements in their physical dimensions have certain permanence over time and conditions reflecting the earlier pattern of mobilization of resources. As social changes occur, the mould they provide may become inadequate. They also inherit an order, in a large measure derived from a society structurally and culturally different from the emerging one and thus may become incongruent for the new pattern of social and cultural life. Evolving an alternative mode of development of human settlements would then largely depend on identifying the process which is at the centre of the contemporary social change and the emerging set of values that would shape the new society.

In the Indian context, what will be the basic concerns that will govern the organization of social forces in the coming decade? The foremost of these concerns would be the improvement of living conditions of the large masses of population beyond the subsistence level and achieving a low fertility social order with a demographically stable population. This cannot be achieved without the application of science and technology. However the application of science and technology will not be committed to economic cannibalization and wasteful consumerism but foster resource conserving life styles and radically new social alternatives in which resources and skills are shared.

* *Courtesy* : Social Scientists Association, Town and Country Planning Organisation, New Delhi.

The priorities of development are being reordered from the pre-occupation of maximising economic growth to sharing of the benefits of development by broader segments of population and removal of inequalities between the different social groups. There is also the concern with human resource development which aims at promoting a desirable quality of life by improving the social capabilities of the individual so that he can develop and realize his full potential. There is a growing awareness that development planning and action need to be ecologically conscious supported by ecotechnologies that rescale the most advanced elements of modern technology to local dimensions. The ecological perspective on future change would have two dimensions, one of increasing the productivity and the other of conserving the resource base for future use.

These seem to me some of the important dimensions of social change which though they appear to be incipient and somewhat scattered are being sedimented into the very prospective of Indian society towards its future. They can reveal some of the basic choices that will confront this society over the next 25 years, both in terms of the challenges they pose and the opportunities they create for further human development.

BASIS FOR STRUCTURAL MODEL

The analysis now to be offered represents an attempt by looking for certain characteristics of the future in the texture of the present. Far from being an imaginary entity which may possibly happen in the year 2001 A.D. in a structural sense, it has already occurred. In fact, it has been building up for some considerable time and its outline is present in our midst. We may not assume that the present social order will continue indefinitely, rather we must prepare ourselves for a society radically different from the urban-industrial societies. The method consists of selecting certain critical aspects which have undergone 'phase changes' during the last three decades, so that these changes may serve as base for considering though not predicting as to what is likely to happen in the future.

These phases have been grouped into eight domains. The first identifies the 'leading part', as—science and technology—its increasing diffusion and application in the field of human endeavours. This 'leading part' has change generating effects on the other seven domains, the economy and occupational structure, education and health, social stratification, family pattern, culture and tradition, personal and social life styles and organization of space. But these effects are two way. Each domain has relations with other domains as well as with 'leading part',—simultaneous or successive, so that the set as a whole comprises a social field.

Technological Changes

The application of technology will be governed by an evaluation of

secondary and higher order impacts, with the majority of resources devoted to those lines of technological development that will maximise social benefits and at the same time have the possibility of avoiding undesirable environmental and ecological consequences. This would imply designing of technologies depending upon low use of water, energy, capital, space and high technical skills. Since material resources available to maintain 900 to 950 million people that would grow by the turn of century will not be sufficient, most technological innovations will be concerned with efficient management of resources, recycling, reuse and waste recovery.

Another dimension of technological change would be the mass accessibility to the use of technical devices. This would result in not only upgrading the traditional skills, application of appropriate and 'relevant' technology but also rescaling of highest technological and scientific advances to people-scale—technology rather than as a part of elite system. The ethic of greater participation and more equal sharing particularly by rural people can come about when information, know-how and problem solving abilities are widely disseminated and shared. We anticipate the proliferation of many community owned and operated technological complexes like multipurpose communication centres, bio-gas plants, tractors, agricultural implements, small scale industrial enterprises, public transportation, etc. This means that a close linkage between scientific and technological systems and social and political objectives would grow.

An increased emphasis on the application of science and technology for rural resource development is foreseen particularly in the field of food production, food processing, food preservation, non-staple fibres, post-harvest operations, water use both for irrigation and drinking, agricultural waste utilisation, housing and transportation. This would lead to greater utilisation and better distribution of energy resources in the rural areas who now mainly depend upon animal and non-commercial energy. Energy demands will not only increase for agriculture but also for non-farm and domestic sector. New technologies for the development of non-conventional and renewable sources of energy like solar energy, and bio-gas plants and non-conventional sources for rural electrification are visualised.

It is not that innovations will be confined to hardware technology but increasingly a new set of social technologies will be applied in the field of education, health and population control.

The most important of the technological changes will occur in the field of communications, particularly in telecommunications which would be increasingly used for education, health and environmental education, imparting new skills, dissemination of new knowledge and information. This change is related to the emergence of new technology based on a new concept of information. The advent of computer constitutes a step function advance in human ability to handle complexity without which further technological advance cannot take place. Fusion of information and energy technologies has produced

systems engineering. This is building a new capability to understand large scale systems, through systems analysis.

Changes in Economy and Occupational Structure

The second group of aspects identifies major changes taking place in the character of the economy. The focus of development is high economic growth with redistribution of income and wealth in favour of poor and lower economic groups. Since the majority of the poor live in the rural areas, the major impetus for such changes is occurring through the transformation of agriculture. The introduction of new agricultural technology and its wider diffusion provide the basis for continued higher agricultural productivity thus enabling agriculture to act as catalyst of growth. The strategy of rural development is not limited only to raising the aggregate output but to generate substantial employment and raise the income for poor. Besides making available inputs, credit facilities and know-how to small and marginal farmers, the cropping-pattern is being organised to increase the labour intensity per acre of land. This would generate employment and minimum income to millions of more families in future than is presently the case. This needs to be supported by quick implementation of land reforms and consolidation of holdings so that the benefits of rural modernisation are widely dispersed instead of being prompted by the well-to-do farmers.

In view of the population pressure on land, it will not be possible to sustain the growing work force in agriculture alone. However this does not imply that those not engaged in agriculture would find jobs in modern industries in the large cities. While location of heavy, resource-based industries and those requiring large capital and high technology may be concentrated in few urban regions, there would be an increasing dispersal of economic activities in rural, semi-urban areas and small towns. These may range from a continuation of traditional handicraft industries with improved technical skills, small and medium industries producing goods for mass consumption and intermediate goods.

Considerable employment will also be generated with major upgrading of services in rural areas and building up of infrastructures, public utilities and environmental improvement programmes. Employment in these public works can become a basis for long-term investment and reduction of costs in such spheres as water use, conservation of soil and prevention of erosion.

Improvements in agriculture will also provide a stimulus to a whole line of processing, refining and agro-service industries in the rural areas and marketing of farm output, in turn generating more productivity, employment and incomes. An increased employment on land, in public works and other non-farm activities should provide the necessary purchasing power with the large majority of population for consumer necessities thus making possible considerable improvement in the living standards of the poor strata.

The implications of changes in the economy would be to enlarge the economic networks of rural communities through their incorporation in the economic activities of the region and the nation. This interaction would include the state and central government institutions tied to rural locales by upward flow of funds in the form of taxes and marketable surplus products and downward flow in the form of agricultural extension, experiment stations, technology transfer, services and amenities, communication and transportation.

The structural changes perceived in the economy would result in changing the occupational structure. With increasing spread of technical skills and know-how in several fields, the working force would be increasingly recruited from a 'learning' force. Secondly, though there will still be a substantial proportion of working force engaged on direct production of goods and goods related services, there would be increasing growth of service related occupations. The future society will become an increasingly service society since a substantial proportion of purchasing power will be devoted away from the food-budgets to discretionary consumption pattern.

The current economic policies are based on social justice and economic equality, seeking development for all rather than for selected segments of population. This would, in the Indian context, imply limiting the consumption of inessential goods and increasing the flow of essential goods which the poor could buy with increased incomes. The structure of production would have to be linked to the real needs of the masses of people engendering a consumption pattern of goods and services that embody fully socialistic lifestyles. Social costs rather than the market costs would be the governing factor of the production system. In this process, it will tend to become a 'communitarian' society based on sharing and process of equalisation, in which individual values will be less pronounced. This different emphasis implies a change of structure. A new type of ordering of human settlements needs to be established if these are to be congruent with the emerging complexity of social order.

EDUCATION AND HEALTH

Education plays the key role in accelerating development and social change. The massive growth in school enrolment both at the primary and secondary levels is evident. About 97 per cent of the children in the age-group 6-11 and 47 per cent in the age group 11-14 are likely to get full-time educational facilities by 1978-79.

Despite this advance in education, large disparities exist in educational standards between town and country and between men and women. The educational structure outside the school system also creates inequalities simply because the principal investments have been made in the schools and the universities. A radical reorientation of the educational system has been initiated and will be further altered to be congruent with the forces of

socio-economic changes. The main objective of such a change is to prevent the duplication and the prolongation of a parasitic tertiary class.

The re-shaping of educational model implies a reinforcement of economic, social and cultural life with educational goals. Beginning with the reconstruction, one is able to foresee the emergence of functional educational systems helping in the human resource developments thus bringing education close to the needs of the communities and their development. Since the rural populations will continue to form the great majority of the future society, peasants and labour will participate in the formation of educational systems, the objectives of which would be strengthening of the participation of the masses from a social, cultural and political view points in the making of society. Housing, public works, agriculture, vocational skills, health and family planning, resource development and self-management of the ecological environment are the pressing requirements of these communities. Education should be capable of responding to these needs by transforming and adopting its content, its structure and its methods.

Education today takes on an enlarged meaning for the individual and the group. From a socio-psychological approach, education includes all activities which promote the fulfilment of individual and collective opportunities as well as physical, manual and technical skills along with sensitive, artistic, intellectual and scientific ability. The idea that a store of knowledge sufficient for a whole life can be acquired during the limited initial period no longer fits the realities of a rapidly changing society.

Under these conditions one can anticipate a system of education enabling a person to get educated or acquire new skills at any stage or age-group. The growth of community based educational system where the socio-economic background of its pupils does not lead to the acquisition of specific educational attainments and skills by certain social groups is another direction of change affecting the existing educational structures. An important implication of this trend would be the linking of the schools, colleges and universities to the needs, problems and possibilities of development of the local and regional community surrounding them as well as their integration with local and regional facility complexes.

The emphasis of non-formal systems of education as supplementary modes of imparting knowledge and skills would be focused on performance oriented and short-duration programmes, extension education within the families carried around the clock, the open university, and non-school field education, etc. Some of the programmes of education would concern with agriculture, management of ecological environment, health education, rural technology assisting small scale industry or upgrading of traditional skills. It will include also the use of the existing rural vocations for showing possibilities of further advancement through the learning of new skills and utilisation of additional knowledge and equipment. Education of rural women needs to be given the highest priority in this system specially on disseminating new technical skills

that reduce the drudgery of life and make them capable to participate actively in community tasks.

Educational structures arising from the changes referred above have fundamental implications for organising space in the settlements at various levels. These are:

- (a) Institutions designed specifically for educational functions like schools, colleges, universities but also functioning as cultural, social and services complexes.
- (b) Institutions performing production and other community functions but also functioning as centres of secondary and tertiary education.
- (c) Institutions whose material, spatial and human resources are used for the process of education.
- (d) Non-formal out-of-school structures.
- (e) Social structures and institutions with an educational function but whose educational impact is not their main objective and whose localisation in the settlements is not a determining factor, for example, voluntary groups of university teachers, and students, trade unions, political parties, youth organisations, women associations, professional associations, voluntary and welfare agencies, community leaders and media of mass communications.

Since the educational goals are being set to provide literacy and minimum education to all, the education process will no longer be confined to a school system using specific habitats through a compartmentalisation of groups and time, set apart from places of production and other community locations. With the notion of life long education being viewed as the major concept there is perceptible change in this structure, entailing interpenetration of the school and the world of work and community life. The school system would tend to become a partial means of realising it. The emerging concept of polyvalent education gives rise to polyvalent spaces where in one place school, health centres, cooperatives and various community facilities are brought together and serve simultaneously as training centres, social and cultural centres, meeting places, and services complexes. In brief they act as nodal points for human resource development for the entire community. This implies a new way of managing these new spaces and new institutions.

In spreading the education, one can foresee the increasing role of audio-visual techniques, T.V., radio and other media of mass communications both traditional and modern. This would further make the educational system less location specific and less dependent upon the necessity for school buildings.

The overall impact of the changing educational needs would alter the traditional context of spatial planning and the distribution of community

facilities. A place that is devoted to education can become a centre of other activities as any space is educational to the extent that it has significance for the process of education.

Health is an area where the poor have traditionally been at a disadvantage and in which re-distribution can be effected in real terms, both through increased income and improved services. Together with improved health services, the improvement in the quantity and quality of nutrition could mean both increased productivity for the economy as a whole and greater capacity to enjoy life for the individual.

A socially just health system for any settlement, needs to be geographically comprehensive, in the sense that the total area for which it is intended is covered, socially equitable, in that it covers the total population, or the totality of the groups for which it is designed; economically accessible to all; and uninterrupted over time.

The present system of hospital pattern linked to a hierarchical system of health care services starting from the top, provides access to health facilities for a very small minority. The changing structure of health services focuses first on the masses by developing a system of primary health care. Such a primary health care system is shaped around the life pattern of the population, combining preventive, curative and promotional approaches both for the community and the individual. A structure needs to be established in which a clear chain of referral runs from village to senior health workers and doctors. Primary health care services needs to be integrated fully with other services such as agriculture, education, public works, housing and communications. Existing schools or community centres can be used for part of the time for health care facilities.

Highest priority is being given to family planning to achieve a low fertility social order. It is expected that by the turn of the century India will achieve a demographically stable population with zero growth. It will mean new social roles for women and greater participation in the organised labour force. It will also require improved maternal and child health care along with diversified family planning programmes and dependable contraceptives.

The new management models for providing family planning services suggest that new means are needed to attract more of the people in fertile age groups; more appropriate incentives must be invented such as social security systems for providing security to the couples in the old age. Family planning programmes would include not only facilities and information for birth control, but information and education on human sexuality, guidance and counselling in family life. Obviously such services cannot be provided through clinics and professional health workers. New community-based approaches to family planning are being evolved through the mobilisation of the strategic social groups and training family planning workers from within the community to effectuate birth control measures.

THE STRATIFICATION SYSTEM

Indian society has undergone one general sort of change from a social order which placed corporate caste-groups in a hierarchy towards a more open society, less dependent upon the ideology of hierarchy and beginning to stress personal elements regardless of caste. Hitherto the movement has been primarily urban. But important changes in the intercaste relations have also taken place in the villages. The new, non-hereditary occupational categories loom larger and larger in the changing social reality.

A relative decline in the importance of ritual pollution as a factor in determining caste hierarchy and the diminishing emphasis on Jajmani system, by themselves, have not led to the destruction of caste system, but only a shift in the critical criteria of social awareness and structural differentiations. However, the weakening of older order identities is discernible with other changes taking place in society, like democracy, impact of education and technology, changing status symbol, and urbanisation. New and more expended network of relationships have come into being. With these, the structure of particularistic loyalties have got overlaid by a more sophisticated system of social and political participation.

What is taking place is a widening base of institutional organisation in which on the one hand, caste identities themselves take to new forms of articulation thus changing the very ethics of the social system and diminishing the importance of its ritualistic and ascriptive base; and on the other hand more diverse forms of organisation and interest identification enter the caste system. Caste takes an openly secular form for new organisational purposes. The process of secularisation of social system holds the key to the shift that has been brought about in the stratification system. Whereas Sanskritization brought submerged caste groups out in the mainstream of society, and westernisation drew the sanskritised caste in the framework of modernisation, it is secularisation of both kinds of groups that is leading to a break-up of the old order and is gradually forging in reintegration on secular-associational grounds. It is building up new mixes of universalistic-particularistic associations.

Castes as 'communal groups' persist. Changes are however taking place at other levels of their functional differentiation such as their articulation as interest groups, as political-micro structures and as communication networks of modernisation. Other structural changes in caste originate from changes in the inter-caste power structure just as cultural changes in it are manifested through alterations in rituals, life styles and customs previously assigned to specific castes and sub-castes. In a society where only a few decades back, the lower castes were more or less completely excluded from professional-administrative positions, the fact that about one-third have now access to such positions makes a departure from the past which is sociologically radical and significant.

In the light of the continued resilience and plasticity, the caste has evolved many adaptive mechanisms for assimilation of and co-existence with other structural changes leading to stratification on an interface of caste and class groups.

The important trends of changes are: (i) increasing influence of rural based political elites and an increase in the influence of elites drawn from professions and technocrats; (ii) differentiation in the elite structure with significant increase in the number of persons belonging to hitherto underprivileged social groups, (iii) greater articulation of regional and interest group oriented goals in political cultural ideologies; (iv) breakdown of the exclusiveness of upper castes to the elite position and its consequent democratization. At present the political power in India is shifting from the urban to the rural areas, from the upper to middle and lower classes, and from ideological-rationalistic to populist type of political elite. Increasingly these elites represent indigenous culture and their commitment to modern values is more instrumental or pragmatic than ideological.

THE FAMILY PATTERN

Family jointness still continues to be the predominant element of the social structure. But the new forces and pressures have contributed to a 'structural ideal' of the nuclear family. This new ideal means that the primary members first seek economic independence, possibly a separate residence and substantial freedom from the patriarchal family, including gradual abandonment of traditional constraints on women and a greater emphasis on the better education of children. While this process is largely true for the migrant families, branching off from the family of orientation, it is also true for economically weaker classes who lack the economic viability to maintain a large household together. Though a complete break of primary family from its overarching agnatic ties, in areas of residence, income, consumption and individualised value system is still not a prevalent form, structural nucleation through which the smallest unit composed of a couple and children and occasionally a kinsman or two staying or visiting is increasing.

The functional ties despite residential separation, on the other hand are maintained between the members of the family of orientation. For instance, most young generation migrants to cities and towns often leave the young wives in the care of the patri-family or in early stages of child bearing and during illness, when it is customary that the large family unit and sometimes the kinsmen make special efforts to provide economic and emotional support. Similar extended ties with the agnatic family are maintained wherein the aged parents stay in the village while the son finds a job in city, the latter continues to support the family in the home village.

On the other hand the 'extension process' expands where not only the members of the large households residing at several locations but also the

members of the clan, lineage, wider kin circle and even friends are incorporated through fictive kinship. It is not only in the prime interest of the smallest unit to obtain support but also to extend support.

A new kind of the process compartmentalisation preserving family bonds through functional unity along with the acceptance of modern values is apparently observable. It may be further pointed out that the family from its local functional unit is moving towards expanding its horizons and occasionally diversifying its interests, meeting its changing needs and diversifying its interests, and individual aspirations. The process through which the weakening family ties are restrengthened to hold the wider ties, for the common good of such membership is leading to functional expansion but greater structural nucleation.

Changes have also been observed in the internal structure of families relating to rights and duties, of power and authority and of sentiment and work. With the increasing strains of new type of activities many traditional forms of family role expectations are changing; children now often tend to be more independent on certain issues; traditional division of work between man and wife is breaking down. The father is no longer an authoritarian figure. Further many of the functions of the family have been institutionalised and take place outside the family. The family has taken up a new gestalt due to the changes in the attitudes and aspirations of its members.

Modernization of Indian Tradition

Traditional Indian Society has been undergoing a continuous process of change, as the great heterogeneity of its social and cultural patterns made response to change more pronounced than in many other traditional societies. At the same time, paradoxically, the very core of Indian tradition with its emphasis on the conception of parallelism between cosmic and social order and spirituality underlying social action has shown remarkable continuity. This has been so because the cultural identity was not tied to any political framework and secondly changes were kept within the premises of the tradition, both in terms of preserving basic relative evaluation of different dimensions, of human existence (cosmic, ritual, political, economic, etc.) and in terms of keeping the continuity of collective identity in relation to tradition.

There are of course many differences in the nature of change which have developed during the last three decades. Entirely new opportunities have developed in all the major institutional spheres, in the manifold changes in the agrarian structure, in the increasing pace of industrialization and application of science and technology, in the development of new modern educational frameworks and opportunities, in the concomitant development of new channels of occupational mobility, and lastly in the development of new cultural orientations. While the emerging order clearly moves away from the older processes, it also retains to a considerable degree some traditional

elements. Change is being channelled through both traditional and modern mechanisms. What is common are the goals that are sought through these channels. These common goals are related to such processes of modernisation as equality, secular world view, material prosperity and access to competitive technology.

Two closely interconnected aspects of processes of change stand out. One is expansion, together with the process of change, of the very scope of the field of social and symbolic participation of the different local groups and communities beyond the given locality or region. The scope of the 'new community' (ultra local) has been largely amplified not only in the ethnic and ritual sense, but also in a territorial sense, and its base is predominantly socio-economic and political. In the modern setting, many of the older types of links such as the various religious centres and networks have greatly weakened; and more direct links between the new centre (mostly political and developmental) and the broader framework on the one hand and many of the peripheral groups on the other, are being created.

The participation of various castes, territorial or kinship groups in the broad cultural, national community tends to become more and more direct, less and less mediated by traditional, ideological and structural links, and based on new type of organisation. The new links between the centre and periphery are not only more direct than the traditional ones. Their organisational and territorial scope is much wider; they are often parts of new countrywide organisations. Moreover, such territoriality tends to become a major autonomous basis of social organisation, greatly weakening the importance of many traditional kinship, caste and ritual bases of organisation.

A closely related change to the former, has been the attempt to redefine the nature of India's collective identity not only in cultural or ritual or cosmic but also in terms of political and economic and socio-technical order. This redefinition of the collective identity has generated, through a creation of general atmosphere of political and socio-economic equality and through a series of policy measures, far-reaching changes.

Studies in the Indian social processes also provide evidence that traditional institutions like joint family, kin-based social networks continue to co-exist with and support modern values and forms of social action. From the advancement in modern means of transport and communication not only the cultural diffusion of modernisation but also that of traditionalism is accelerated.

At the cultural level two processes are simultaneously occurring; parochialisation of the great tradition, through which both the traditional and modern urban culture is being incorporated at the village community level, and universalisation of folk or little tradition which is assimilated in the larger great tradition. We find in India three important ramifications of cultural changes; the folk-traditional, the modern and modern-traditional. In a primary civilisation like India, cultural continuity with the past is so great that even

the acceptance of modernising values does not result in linear form of social and cultural change but has resulted in traditionalising of apparently 'modern' innovations. In other words, its paradigm is adaptive change and evolutionary absorption of innovative choices.

Social and Personal Lifestyles

A very large increase of education, health, social and cultural facilities in the rural areas together with their environmental improvement will not only accelerate rural development but would decrease the differences in urban and rural incomes. Rural-urban differentials may not only become smaller as the year 2000 approaches but may increasingly cease to reflect present differences in urban and rural living conditions and life styles. The gap that separates today the urban-middle and upper classes and the rest of the people and the urban and rural areas lies essentially in material culture and social capabilities. Cultural and social traditions of the various social groups and between the rural, urban areas are not discontinuous and the 'Little Traditions' of folk culture and the 'Great Traditions' of Indian civilization mutually reinforce each other in an inter-actional matrix. It is the gap in literacy, in technical skills, education, health standards, in access to modern communication and information services, incomes and personal consumption which produces the duality between the city and village and between the elite, and middle classes and the masses. With an emphasis on overall human resource development and the actualisation of an egalitarian and socialistic order, the existing disparities in material culture and social capabilities will be narrowed down considerably.

Increase in employment opportunities, health, education and other life 'supporting' and 'enhancing' facilities, and the provision of minimum conditions of material culture in the rural areas as economy grows will have an impact on this process, but the greatest impact will be made by the extension of education and health facilities, technology, transport and communications. Increased transport facilities will link villages to the towns inducing them to participate in extra-local organizations and activities and facilitating greater interaction through movement of people and goods. The spread of radio, telephone, television, newspapers and other mass media of communications would make possible the development of non-spatial bound area of interaction. Many of the existing urban functions will no longer remain location specific. Socially this means that the relationship between city and village will become reciprocal and mutually reinforcing. It also implies an evolution of an integral community characterized by a synthesis of modern urban and rural traditional socio-cultural patterns and lifestyles. It will be, concomitantly, embedded in a production system where agriculture, industry and commerce constitute a unified resource development complex.

When one thinks of a future society, one is not limited to assuming an

environment of minimal biological survival and subsistence, but of a society beyond the survival level, where the quality of life is not the sum total of activities governed by compulsions of biological survival but provides various choices for self-expression, self-actualisation and cultural, aesthetic, and intellectual creativity. Consequently one can assume increasing amplification of both social and life space.

By life space is meant the world of a person lives in as he perceives at a given time. It is a combination of what is available to him in his environment and construction of this in terms of his own needs. The world has expanded for an average Indian than it used to be. This will be even more so in the future. It is becoming more variegated and differentiated, whether as regards material goods, personal resources, amenities or the manifold array of opportunities and choices. The revolution of rising expectations, has made the 'quality of life', a factor in the peoples concerns along with 'life survival' priorities. Although basic human needs like foods, shelter, clothing still command the major attention, there is an increasing demand for health and educational services, recreational facilities (both active and passive) and for various types of social and cultural facilities.

With the large majority of people crossing the threshold of subsistence, there will be vast growth of such facilities since these will be required by a very large number of people instead of being availed by small proportion of population as at present. Both the economic and socio-cultural world of the individual as well as of social groups will be greatly enlarged. The narrowing down of the gap in the income and consumption basket between the various social groups will be accompanied by homogenisation of life styles and quality of environment.

An important dimension of such changes would be the availability of greater number of post child years of children with shifting of age marriage, longer educational years interspersed with participation in work activities and reduction in routine family activities. This will lead to differing pattern of activities of the family members with varying time schedules. This will also make possible the participation of women, in the work force and community tasks as she will be increasingly freed in the economy and generation of non-farm employment in the rural areas along with the development of transportation and communication will induce largescale migration and separation of family members from a single place of residence. All in all several dimensions with the differentiated character of family cycle with consequent changes in residential requirements and location of activity clusters.

Though the cultural pattern in India will continue to be influenced by its traditional heritage, it will get diversified along secular activities. In the secular sphere the characteristic features would be simultaneity instead of succession, for example, learning, working and recreation at the same time, from stasis to mobility, and from permanent to temporary ownership of shelter and its equipment, from goods to services and from family as centre

of activities to community. At the social level, there will be gradual disengagement from archaic naturalistic form of social organization highly conditioned by biological matrix of life. Economic and social life will cease to depend exclusively on sexual division of labour, caste, kinship, familial ties and other primary affinities. The emerging community manifests a gradual crystallisation of a social life along territorial lines based on civic configuration of individuals.

Organization of Space

Until now, spatial allocation of resources and development have not been given much attention in the planning process which has been predominantly sectoral both at the national and state levels. Consequently access to economic and social development has been unevenly distributed resulting in distinct settlement patterns. In this process the gap between development and income opportunities between the rural and urban areas has widened creating centre-periphery effects. This has happened despite considerable growth of G.N.P.

At the urban end, the continued dominance of primate cities and large urban centres, expressed not only in concentration of population but also high growth rate, results in inflow of migrants far in excess of absorption capacity of the productive employment in these urban centres. A very large proportion of these rural migrants are engaged in low wage sector of 'bazaar' economy and tertiary or service occupations where the marginal productivity is close to zero. Increased unemployment and under-employment, ghettoization, inadequate public services and amenities and social tensions are some of the manifestations of this overconcentration of population in few urban centres.

What has been discussed in previous sections suggests the need for achieving a satisfactory pattern of rural and urban settlements by harmonizing social, economic and spatial planning at all levels. Rural sectors will still form the basic segments of life and economy for many decades to come. It is evident that rural transformation represents the basic issue of any development strategy. Improvement in rural welfare and sustained growth in the income accruing to farmers and rural labour depend not only on continuous technological improvements in farming but also on the gradual transfer of surplus rural labour to non-agricultural occupations. The development of the countryside will depend, to a significant degree, on the rate of growth of organized non-farming activity and rural industrialisation. This will in turn depend on the agricultural sector's ability to produce a marketable surplus. Since the farmer obtains the input he needs from the industrial sector, the interrelationship between modern agriculture and industry is evident.

The transfer of rural surplus labour from agriculture to other occupations will require sorting out such problems as the location and creation of new employment opportunities and the form and setting of industrialization

associated with urbanisation. The transferring of rural surplus labour to industrial occupations exists only to a limited extent since the organized industrial activity, as yet forms a very small proportion of the total economic activity. Even if a rapid growth of organized large scale industrial activity was made possible, it could absorb only limited amounts of surplus labour released from the rural sectors. For this reason, alternative occupations will have to be found in the rural areas. This may be appropriately linked with the strategy for decentralized pattern of urbanization designed to promote secondary urban centres and towns. In fact urban development strategies will need to be dovetailed with rural development and made complementary. A strategy aimed to guide and control rural-urban migration will have to provide measures both at the points of origin and destination. It is in this context that secondary urbanization occupies a strategic position in mobilizing the rural sector.

There are about, 1,50,000 villages with population of less than 500 consisting of 82 million people (16.4 per cent of the total rural population) according to 1971 Census of India. The idyll of development of such villages of self-contained small isolated communities is not feasible since they do not constitute a viable size for socio-economic and technological development. As it is, most these small villages are, at present, outside the mainstream of socio-economic development, rural services and improved technology. To bring them into the mainstream of development would imply not only a heavy drain on material and technological resources but would also mean perpetuating archaic forms of social organization with arrested development. The number of such small communities has already started to decline. In 1971, they constituted only 26 per cent of the total number of village settlements as against 62 per cent in 1961 (349,568). On the other hand, a new kind of community has already emerged in many parts of the country (Maharashtra, Andhra, southeast Kerala, parts of Rajasthan, south Bihar, west Uttar Pradesh, Punjab) where a group of villages rather than an individual village function as a unit of social and economic life centred around a big village, a marketing centre or town. This is a very significant dimension of spatial change in the organization of human communities, which needs to be further consolidated.

The process of accelerated rural development has already been set in motion and as modernisation of agriculture is further intensified, it will imply progressive monetisation, commercialisation, application of technology, change in attitudes, innovation, adaptation to external change, and increased social mobility. This would necessitate the provision of not only increased availability of agricultural inputs but also a far more developed, economic, social and physical infrastructure than now exists in most parts of the country. This can best be achieved by rural-oriented urbanization or by rural cities as they will provide the essential functional linkage between the rural and urban sectors. Their role will not be limited to economic functions such as the

setting for decentralised industrialisation improving the linkage between raw materials, processors and markets, but will also comprise as centres of technology and equipment pools, social and cultural activities, efficient rural administration and diffusion of innovations.

Some of the parametres which would govern the spatial organization of human communities may briefly be stated as:

- (1) To transform the country-side through resource development by wider application of science and technology and adopting existing technologies relevant to rural settings—particularly in the field of energy, water-use, cropping pattern, waste recycling and reducing the drudgery of life for women.
- (2) Promoting a low-fertility social order.
- (3) To extend the network of social interaction in rural areas beyond the single village by creating a larger socio-economic, cultural and political space through various activity clusters.
- (4) Social mobilisation and human resource development.
- (5) Reducing the disparity between rural and urban incomes by generating employment through diversification of the rural economy, more specially by linking agricultural to non-agricultural activities within the same territorial community.
- (6) To use labour force more effectively by directing it towards a greatly intensified development of natural resource base including improvements in agricultural production, conservation and water management projects, rural public works, rural services and agro-industries.
- (7) Linking rural areas into regional networks through improved means of transport and communications and by regionalizing higher-order services, that require a larger population base.
- (8) Building institutional structures that induce resource conserving life styles.
- (9) Planning and implementation to be decentralized to enable the people to take advantage of ecological opportunities where they exist, to harness the richly personal embodied learning of local inhabitants to the more formal abstract knowledge of specialists and encourage a growing sense of identification of local people with the enlarged community space.
- (10) To minimize social dislocation in the course of development.

A spatial framework that manifests the emergent forces of change and the parameters referred needs to be developed. Such a framework cannot consist of few metropolitan and urban centres juxtaposed by thousands of self-contained isolated small villages. The large city must be replaced by decentralized communities but at the same time the size and activity-field of the rural communities must be substantially enlarged. It is the paradigm

of a regional community on which we must model our future human settlements—a community where city and village do not exist as distinctive habitats but as constituent elements of a unified spatial system. It will comprise a continuum of activity clusters interlinked through transport corridors and communication channels and a territory within which economic, social and cultural institutions, technological complexes and services delivery centres are distributed among the constituent communities as shared space instead of hierarchical spaces. Such a spatial structure does away not only with the duality of city and village but also with the concept of the hierarchy of settlements.

Operationally the regional communities can be established by nucleating groups of villages around a medium, small town or a big village centre on an interactive functional eco-community that unites industry with agriculture, mental work with physical. We have already alluded to the new spatial pattern of community that is being shaped by the emergent forces of change. What is needed is to delineate a few thousands of such regional communities based on socio-cultural homogeneity and resource base. Scaled to human dimensions, such a community should be carefully tailored to the carrying capacity of the natural eco-system in which it is located. Such regional communities may be linked with each other at various levels of activities and functions through appropriate development of infrastructures, energy and power grids, communications and transport thus constituting a national configuration of space for the national community. Only in this way can the needs of natural world become integrated with those of the social to yield an authentic eco-community that transcends the instrumentalist 'environmental' mentality of the sanitary engineer. Modern technology has advanced to a level of development that it permits such a structuring of human communities in space.



*Some Planning Thoughts on Human Settlements**

U. C. MALLICK

THE scientific inventions and technological advancements are the two key instruments of modern civilization and material welfare. This dynamic process of continuous evolution has set in motion a new situation in which the physical or terrestrial distance between one place to the other is steadily losing its significance.

The flow of knowledge and effective exchanges of ideas between different countries bring the world communities closer to each other. This, however, gives a fresh outlook to life and creates varied aspirations in human population for higher material welfare and better living.

Of necessity, a new outlook and approach to the development strategy have now appeared all over. No part of the country's population can be left uncovered from the scope of developmental actions due to its constraints of locational disadvantages like remoteness and isolation. Needs are increasingly being felt to tackle the problems with the approach of a total humanity in its full dimension. Economic disparities and exploitation and social handicap and degradation prevailing between the different sections of the population in the same country or between the different nations are bound to create imbalance, tension and disharmony. All human beings irrespective of their ethnic groups, economic and social strata and the geographical placings have to be taken into purview of all developmental efforts made for their welfare. Every person as an individual and more importantly as a part of the governmental machinery has a great responsibility to plan for all human populations. Evidently, neither the growing numbers of people nor the disabled, whether these are illiterate, aged, crippled, or psychopathic will disappear from lack of acknowledgement of their existence.

For the first time the recognition of certain basic rights to every human being of the world was provided in the United Nations' charter of human rights which provided that all members of society have an equal right to life. The improvement of the economic and social conditions of every member of

* *Courtesy* : Social Scientists Association, Town and Country Planning Organisation, New Delhi.

the society is, therefore, a basic task not only of all the national administration but of the international administration as well. Hence the entire planning effort needs to be directed towards the development of all places where people live, carry out their economic functions and perform all basic activities and meet social obligations as members of the society. In other words, if we have to work for the welfare of the entire human beings, we must plan all our settlements as the basic units for development. It is, therefore, necessary to understand the concept of 'Human Settlement' in its totality.

CONCEPT OF HUMAN SETTLEMENT

The concept 'human settlement' is often used rather in a loose manner in a variety of fields starting from administration to planning and to research both at the national and international levels. A clear understanding of the concept 'settlement' as a comprehensive framework for the planning and development is awefully lacking. To some, settlement refers to the cluster of buildings or structures; to some, it is a congregation of people living together; and yet to others, it is merely an organisational or administrative framework for limited purpose only. In fact such conceptual frame and definition of settlement not only suffers from the lack of comprehension but it is also defective particularly from the point of planning and development.

'Human Settlement', in fact, has a much wider meaning and therefore encompasses a wider variety of fields. As a physical entity it refers to the permanent or semi-permanent clusters of buildings or such structures or similar landscapes developed for meeting various needs of the population.

In the economic context, the settlement is a functional entity where various economic functions, relating to all production activities are carried on. This takes into account all the factors of economic production and services. Land, animals, plants and vegetables and natural features such as rivers and ponds are all taken together as integral parts of the functional settlements. Conceptually, the jurisdiction of the settlement as economic entity, thus extends over much wider space.

Sociologically speaking, the 'settlement' has a still deeper meaning in the sense that it provides unique features of social identifications expressed through commonness within the group and yet contrasts from outside. Social bondage and ties within the similar cultural traits or interdependent groups of people are therefore attributes of the human settlement. The element of common identification, spontaneous common response to certain action, sense of common prestige and pride among people living in a cluster of habitations are really the attributes of human settlement.

The organizational and administrative set-up whether based on traditional belief or modern and sophisticated principles and practices provide yet another aspect of the human settlement. All the groups of people whether in typically traditional rural setting or placed in the high ladder of modernization,

thus have to evolve some form of local organization for performing their community activities.

Human settlement is therefore a comprehensive entity of physical structures, economic functions, social identities and organization and administrative managements. It is really the centre of dense expression of various functions carried out by the people for satisfying their material and intellectual needs and aspirations. It also refers to the group of individual dwellings created and recreated by the intimately related cultural groups of people in their total forms. It is the place and establishment which provide material requirements to survive, sense of security against external danger and finally the most valued element of life—the happiness. Human settlement is not only physical structure but an organic entity which evolves, grows, declines and dies. In the generic term, it may connote all varieties of these physical features and human landscapes ranging from the tiny hamlet to the villages and from the city to the giant metropolises.

EVOLUTION OF HUMAN SETTLEMENTS

The history of evolution of human settlements is as complex a process as the human civilization itself. It has undergone numerous changes and transformation through the varying degree of technological advancements and styles of human living. The discovery of agriculture was perhaps a remarkable phenomenon of the economic progress in the history of mankind and the evolution of human settlements. All the fertile belts of the world witnessed the earliest forms of settled living and higher levels of human activities. Simple economic pursuit carried on by a closer group of people based on tribe or clan and their excessive reliance on natural feature and animals got translated in their material culture and social organization.

The old and traditional settlements have evolved through the process of trial and error in which man as a member of the community tried to place himself in the optimum advantages of natural environment with the available technology at his disposal. A favourable relationship of the place of living and work place was the primary consideration for the location of the settlements. The natural factors such as topography, water sources, etc., to a great extent determined the distribution and pattern of these settlements. These settlements were primarily agrarian in character and performed economic and social functions of local nature.

The technological advancements and diversification of economic functions created another horizon for new activities in new areas and awareness for greater exchanges of goods and services and mobility of the people. The mining areas, the trade junctions and administrative centres now appeared with their own distinct physical pattern, economic function and social living and organisational management. These new settlements are also characterized with another dimension, the linkages between them.

The latter type of settlements are created for much more varied socio-economic functions over much wider areas. Unlike the former type these settlements depend for their origin and growth on the functional linkages of the flow of goods and administrative ties among large number of settlements. These settlements are therefore larger in size, sparse in distribution, bigger in scale of operation both in economic and social functions and administrative managements.

Unfortunately, however, the relation between the small settlements and the large modern settlements has not gone in the manner expected of them. In most of the cases, the large settlements have grown and flourished at the cost of the smaller settlements. Whereas the basic settlements have produced food and raw materials for the large settlements, in turn the small settlements have not received legitimate shares of the services and attention from the large settlements. On the contrary high degree of neglect and exploitative tendency persisted towards the smaller settlements. As a result wide disparity between the two types of settlements began to create tension and imbalances. One of the serious problems of the present development activities is therefore to correct the functional imbalances between the settlements of varying sizes and character.

CLASSIFICATION OF HUMAN SETTLEMENTS

The very fact that human settlements can be seen from a variety of angles makes it difficult to evolve a universally accepted criteria for their classification. Basically, settlements can be divided in many ways depending on the underlined objectives and the adopted criteria for the purpose. Form and structures, demographic sizes, socio-economic composition of people, levels of amenities and services, etc., are taken as common criteria for making classification of human settlements.

The environmental scientists like geographers have often attempted to see the human settlements as product of the interplay of environmental forces to mould human behaviour. In this process they have tried to identify the human settlements in association with prominent natural phenomena and landscape such as hills, valleys, water courses and such other features. Later on the structural form, pattern and distribution have been introduced as criteria for identification of settlements of various types such as clustered or nucleated, dispersed or scattered settlements.

The social sciences have based classification on ethnic or sociological criterion of class or groups of population. In India such settlements are available in abundance particularly in the rural setting.

The classification of the settlements has also been made for the purpose of administration and revenue collection. Indian villages are the lowest order of such administrative-cum-revenue settlements.

The classification of settlements as rural and urban areas based on certain

economic, social and organisational characteristics is of more pragmatic values and uses compared to the other classifications discussed earlier. However, even this classification suffers from certain defects such as generalisation and lack of functional hierarchy and linkages of the different order. In fact there is a wide range of differentials between the different urban areas and also among rural settlements.

It is thus seen that the classification of the settlements discussed so far is important either from the academic interest or similar limited purposes yet it is hardly meaningful for the purpose of development and welfare actions for the total population. What is required is that the criteria for such classification should include primarily such factors which may provide the settlement the base for its economic and social functions and organisational framework in the overall system.

As a logical step it becomes necessary to examine the various functions which the settlements of varying sizes and types are required to perform in order to build conceptually a more realistic classification of settlements. This is discussed in the following paragraphs.

The discussions made so far suggest in a fairly clear terms that the present human community has to be provided with certain basic needs of life. The economic activities like production or distribution, amenities and utilities like medical and educational services, security and justice, and lastly the communication and linkages are the essentials of human living. Every human settlement must perform all functions towards the fulfilment of these needs. These functions are not only numerous in their components, but within each component lies a wide range of levels and scale of operation and economy. To cite a simple instance, education can be seen to have as many levels as primary, middle, secondary, college, and specialist levels. Similar levels are seen in all other functions too. This makes the conceptual exercise on settlement a still complicated issue.

A logical conclusion that emerges is that the various functions with all their levels are required to be available for the entire population living in various settlements. However, it does not imply that the functions of all levels are required to be physically present in all the settlements. In fact, it is the availability of these functions that really matters. Moreover, the provision of all levels of functions in all settlements is not just feasible due to economic and technological reasons. The identification of the settlements based on the physical location of the functions of various levels is therefore an important aspect of settlement study. In short, the various levels of functions and their physical locations make the distinguishable identification of the settlements and therefore should form the most important basis for the classification of settlements.

From the above discussions it follows that the levels of various activities and functions really indicate the types of human settlements and their linkages and hierarchy among them. The settlements which provide functions of higher

levels are therefore placed at the higher order of the settlement hierarchy and are distinctly different from the settlements having lower levels of functions. These different types of settlements are however required to be functionally interrelated to each other and are placed in a spatial scale of operation. It is, therefore, possible to conceptualize the frame of the primary settlement with the lowest level of functions in respect of economic productions and distributions, health and education services, institution for security and justice, transportation and communication linkages. Such settlements are, therefore, required to perform the local functions. The middle order settlements are the nodal points for intermediate levels of the above mentioned functions and, therefore, perform as centres of the region as a whole. The highest order of settlements are the places where the functions of the highest levels are performed for the entire nation. Within the broad group of settlements, there can be many sub-groups, depending on the levels of functions and the order of settlements.

Ample research has gone into the field of hierarchy of settlements. The contributions of noted geographers and economists like Christaller, Losch, Perroux and Boudeville in this field have been remarkable. The detailed discussions of these works are not considered relevant for this paper. However, the most valuable lessons that can be drawn from these works point to the need for understanding the settlements in the total system of functional hierarchy. Each settlement has got to perform two categories of functions—*viz.*, the functions for the local populations and functions for population of much wider areas in the system.

The settlements of varying orders and character, therefore, are placed in the varying degree of centrality and linkages. The higher order settlements are generally large in respect of their physical and demographic sense and in their nodality for wider geographic areas or hinterland comprising large number of lower order of settlements. It is this aspect of functional linkages and nodality which make the larger settlement a place of higher order. The functional relationships and interdependence between various types of settlements are correct attributes of the settlement hierarchy and system.

SETTLEMENT IN RELEVANCE TO DEVELOPMENT

There has been increasing recognition of the fact that populations living in the tiny hamlets or small villages are as important elements of human society as those living in the towns or large metropolises. A kind of neglect towards one section of people and attention for others is not only illogical but also detrimental for the humanity as well. After all, there exists a close relationship and inter-dependence in economic and social functions between one area to the other. Further, at the lower end of the scale there exists a pronounced relationship between a man and his habitat. All planning and development efforts become meaningful and lasting if they are based on proper understanding of the human relationship with their surrounding environments. A village,

for example, can never be understood fully if it is not seen as the nodal point of functions happening within the whole community which may cover forests, sea or lakes. Similarly, a town has to be viewed as a nodal point of the surrounding area comprising both villages and small urban centres.

Planning and development efforts, by rule, do not transmit their spread out effects to reach the entire population in the various settlements. Nor the production functions carried in smaller places always receive their due rewards in turn. This state of affairs at time create an incompetent level in the economic and social fabric of the community as a whole. The planning and development in the past almost failed to apply the principle of the system of settlements. On the contrary, settlement was planned and developed in isolation with attention for cities and complete neglect towards smaller places. The planning and development efforts were primarily directed towards designing and construction of buildings, roads, sewerage and drainage and water plants for the benefits of one section of the people, what is known as 'urban'. This has been a completely elitist approach to the whole problem. Wide disparities and discontinuum between the rural and urban areas and among various sizes and types of settlements persist in unmanageable proportions. The economic and social imbalances prevailing between the different settlements are steadily causing demographic instability, which is well known from the fact of large scale migration with their ugly manifestation in the large urban centres.

The technique of regional planning takes into account the strategy of development of the human settlement in the integrated system. The creation of various economic opportunities and provision of social services with appropriate locations in the different settlements of the total system are basic theme of the regional development programmes. The development of transport and communication linkages, creation of economic infrastructures, building up of the natural and human resources, provision of social services and providing the institutions for administration and justice, etc., should form the core of the planning and development actions towards the human settlements. Some of the important strategies which may build the components of planning policies and development actions for the welfare of the population living in various settlements are listed below:

- (1) Creation of transportation networks, communication linkages and power supply lines within and between all places where people live.
- (2) Assessment of the economic potentials including material and human resources and the levels of social services and amenities in all settlements.
- (3) Identification of functional levels and order of settlements along with their hinterlands.
- (4) The choice and selection of settlements of varying orders and their physical location for planning and development in the overall system.

- (5) Development of production and distributive organs and introducing the economic activities in all settlements.
- (6) The provision of market function for goods produced and service functions for improved production in all orders of settlement system.
- (7) Creation of institutional functions like credit/banking at appropriate settlements in the total system.
- (8) Establishment of health, educational services and making them accessible to all settlements.
- (9) Institution for law and order, justice and protection and creation of appropriate machinery for various levels of settlement hierarchy.
- (10) Provision for communication linkages and community participation and creating awareness for fuller utilisation by all in all the settlements.
- (11) Construction of houses and buildings, roads and lanes, places of work and living, water supply, sanitation and the recreation as minimum needs programme in all settlements and thereby improving the living environment.

The success of planning and development of the human settlement system can be tested by the ultimate satisfaction of the human community. The level of economic productions, availability of social services, and finally the degree of participation and awareness in various functions of the larger community are the final indicators of the levels of human satisfaction and welfare.

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Urban Land Speculation*

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AND
R.K. WISHWAKARMA

ALTHOUGH there is general agreement about the rise in urban land values in its staggering proportions, there is hardly any identity of views over its cause. The theory of urban land values is "a curious mixture of broad generalisation concerning the future of urban land values, application of classical rent theory to isolated hypothetical communities under assumed conditions, and classification of multiple demand and supply influences affecting urban land values. Economists are in general agreement that it is the formation of people into communities which gives rise to the utility and scarcity of urban land and hence to its values."¹ But many others hold that large scale speculative deals are responsible for the rise of urban land prices in most of the Asian and Latin American countries including Israel and Spain in Europe.² A digression from 'demand and supply' thesis to 'speculation' thesis (though a matter of historical accident) in the theory of urban land values, deserves serious consideration.

This paper is divided in three parts. In the first part, an attempt is made to present a simple theoretical model of urban land price determination in relation to speculation. The second part examines the phenomenon of urban land values, in general, and in the third part we refer to the situation in Delhi *vis-a-vis* its impact on rentals and consequently on land values.

* Courtesy: Social Scientists Association, Town and Country Planning Organisation, New Delhi.

¹Paul F. Wendt, "Theory of Urban Land Values," *Land Economics*, Vol. XXXIII, No. 3, August, 1957.

²J.P. Sah, "Land Policies for Urban and Regional Development in the Countries of the ECAFE Region, *United Nations Document No. E/CN/11/I & NR/PURD/L4 1966*; Hidehiko Sazanami, "Housing in Metropolitan Areas," Paper No. 10 of Centennial Study and Training Programme on Metropolitan Problems, Bureau of Municipal Research, Toronto, Canada, January 1967; Grace Milgram, *U.S. Land Prices—Directions and Dynamics*, Research Report No. 13, the National Commission on Urban Problems, Washington, 1968; K.A. Ramasubramaniam, "Steep Rise in Land Values of Urban Land", *Yojana*, Jan. 26, 1966; G. Mukharji, "Urban Land Policy", *Indian Journal of Public Administration—Special Number on Urbanization and Urban Development*, Vol. XIV, No. 3, 1968; Max Neutze, "The Price of Urban Land for Urban Development", *The Economic Record*, Vol. 46, No. 115.

I

Price of land must depend on demand and supply for it. Supply increases through diversion of land from one purpose to another, depending upon the intensity of intra-urban and supra-urban use competition, more than from reclamation of land from nature. Areas, which are used by villagers and on which cultivation was carried on, are sold for urban uses. Sometimes, the physical limit of some already existing town is extended, and sometimes some new township is created. But supply increases slowly and with a lag. Meanwhile, the demand for land increases, partly due to the actual users and partly due to the speculators in land. Men and institutions with surpluses and savings which have less opportunity-cost at the present, decide to invest in land in the hope of *either* disposing of land at a later date for a higher price *or* getting a greater flow of rents from buildings that they may construct on land bought. Had the demand been confined only to the actual users, land prices would perhaps not go up as much as they have been doing.

Even where the demand is from actual users, the higgling power of the purchaser of land is likely to be relatively weak if potential return from land is high and the suppliers are aware of this. For them the suppliers raise the minimum price asked.

While analysing the speculative aspects, it is also usual to mention the 'social overhead capital' which society (*e.g.*, local bodies and State) build up in and around land-sites and land areas. The social investment increases the productivity of both land and land services: capital values as also rental values go up.

In short, the degree of speculation in land depends on the following factors:

- (a) Rate of increase of demand for land from users.
- (b) Rate of increase of demand for land from other institutions.
- (c) Rate of increase of demand for land from other speculators in land.
- (d) Rate of increase of activities—social and economic—in and around particular land.
- (e) Optimism of the present speculators.
- (f) Surplus wealth, particularly liquid assets and cash with the speculators.
- (g) Intensity of desire to earn by windfalls and rise in capital values rather than through sweat of labour.
- (h) Social overhead created by local or state governments on and around land.
- (i) Freedom allowed by the State for sales and transfer—not only for actual uses but also for speculation.
- (j) Felt-need by local and State Governments for more flat-rate tax revenues for promoting planned economic development.
- (k) Inflation and boom psychology.

It can be easily realised that not all these factors are true forces on the side of demand. Price of land is the total discounted *future incomes* from it. And future income is not necessarily calculated or extrapolated but what is built-up sentimentally and deliberately at times. We all know what the bulls and the bears try to do on the stock exchange ; and they have their counterparts in the land-market.

The land supply curve, therefore, can be conceived as a backward sloping supply curve;³ supply decreases when prices offered (better prices actually paid in recent land transactions) increase and cross a high limit. This is the ordinary dynamic character of supply curves:

$$S = a + bp - c(dp/dt) \quad \dots(1.1)$$

The function is complicated by lack of perfect knowledge about the position both on the side of users (including would-be users) and the suppliers.

There is a belief that higher is ' dp/dt ' and higher is the degree of speculation, the more backward the supply curve becomes. There are perhaps few satisfactory measures of the degree of speculation whether differential or total. It is only a qualitative statement when it is said that speculation depends on physical, economic and institutional factors, and that, with an air of

³Mitsuo Kushita, "The Guide Post System of Urban Land Prices and Its Background : Japan's Land Policy Today and Tomorrow"—paper presented at the Fifth Pan Pacific Congress of Real Estate Valuers and Appraisers, 1969, p. 15. He describes the behaviour of urban land supply curve somewhat similar to labour supply curve. To analyse the behaviour of land supply curve through a diagram, it becomes evident from Fig. 1 that an increase in ' dp/dt ' becomes deterrent to more supply of land. With the equilibrium price of OP with OX unit of land, any further increase from OP to OP_1 and OP_2 curtails the supply of land from OX unit to OX_1 and OX_2 units of land. The same information is shown in Fig. 2 but the axes are reversed. The supply curve in Fig. 1 now becomes the price demand curve in Fig. 2. It will be seen that the price demanded, measured against units of land offered in exchange, rises steadily for every increase in prices until OY units of land are sold and then declines. For example, when the price demanded rises from OP_1 to OP_2 , the number of units offered for sale declines from OY_1 to OY_2 .

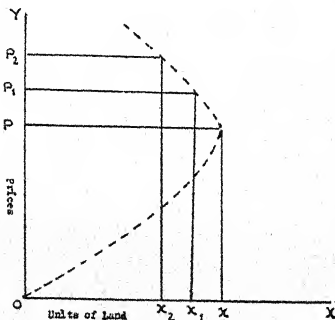


Fig 1

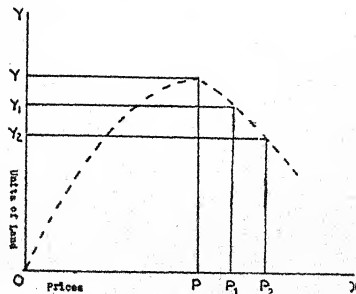


Fig. 2

economic growth and attempts at long period planned growth, there is little likelihood of 'speculation' getting into a 'slump'.

Since users of land particularly users of residential accommodation, have less waiting-power, and since transport facilities and social amenities are difficult to provide adequately for urban earners and urban-workers, there enters an element of 'run' (promoted by the still higher land prices), and shortage of land (*i.e.*, actual excess of demand over supply) gets converted into 'scarcity' (which is sometimes termed market excess of demand over supply). The demand for land becomes dynamic:

$$D = 1 - mp + n \quad (dp/dt) \quad \dots(1.2)$$

Consequently, if one would work out the equilibrium between supply and demand, there would emerge a cobweb-solution. If the demand curve is more elastic than the supply curve, prices go on exploding. Worse, the demand curve starts to shift upward which complicates the situation, partly due to new demand (either by import or by origin or by both) from users, who do not hesitate to offer higher prices. This is an income-effect of higher-income users from other economic regions. This may be described as an inter-regional and inter-national flow of income-effects.

Dynamics of Land Value Components

Incidentally, it may be pointed out that the urge to analyse land values—a dynamic concept—has lead many to see it as made up of three components: scarcity value, site value, and use value. It may be difficult to quantify these. Besides, these are not mutually exclusive : 'scarcity' and 'use' are related terms via marginal returns. The greater the return from use, the greater the scarcity value is likely to be. Similarly, site value is also scarcity of land with particular site. However, nucleations of complimentary land-uses resulting from the integration of different types of urban land-uses into an inter-related whole in which each use compliments and adds to the value of others, constitute an additional factor in value changes. The new nucleation tends to lower the land values in older types of land-use patterns which becomes less desirable as the new type of planned communities emerge.⁴ Hence, the dynamics of land values in different categories of land-uses distorts even the phenomenon of stability of land.

Speculation-Dynamics

The relationship between the nucleation of land uses and their values cannot be overlooked. Appreciation of market-value either through land-use

⁴Homer Hoyt, *Dynamic Factors in Land Values*, Urban Land Institute, Technical Bulletin, No. 37, 1960, p. 14.

changes or from property income, increases the marginal propensity to hold land. The scarcity of land, induced partly by withholding land from the market and partly by induced demand, appreciates values in the urban land market. The marginal propensity to hold increases with the marginal increases in the efficiency of space and thereby in the future productivity of land. Speculation in land, therefore, does not create value by itself but a market situation, where an excess of natural demand for any specific use of land gets converted into scarcity: and the gap between demand and supply also gets magnified which, in turn, gives an impetus for further increase in land prices. As such, speculation is the most destabilising factor in land market.

To presume that "the market is more perfect over time and space when there is a more speculative activity than when there is less"⁵ is an outdated apology for land speculation. Neither speculation is an end in itself nor it has its economic value: being an end-product of higher ' dp/dt ', it acts and reacts in magnifying the gap between demand and supply. Higher the ratio of ' dp/dt ', and higher is the degree of speculation, still higher will be the gap between demand and supply. It cannot be isolated either with demand or with supply: being an stimulant of demand (rather than determinant of value), it is a constituent of scarcity as well as constituted by it.

II

In the phase of economic transition in most of the developing countries, there is a general tendency of concentration of population and economic activities in most of the metropolitan areas. Such a concentration has its far-reaching effects both on value gradients as well as on the distribution of economic activities over the space. But in this process of urban growth and suburban sprawl (most often discrete and differential) with rapid transformation of land from rural to urban uses, 'enormous values' are created, which encourage speculative activities that reinforce the tendency toward higher prices.⁶ The competing forces of demand (for urban residential, commercial and industrial) on the limited supply of urban land further aggravate the speculative rise⁷ in urban land prices.

The logic behind this analogy is that population though significant in itself, constitutes only one of the competing sources of demand for urban land.

⁵Max Neutze, *op. cit.*, p. 319.

⁶Milgram Grace, *op. cit.*, p. 7.

⁷"The Sky-rocketing of urban land values unrelated to any perceivable economic factors is largely explained by speculation in land. In the absence of adequate investment opportunities in the productive sectors, finance capital-earned and unearned finds real estate a lucrative business. Handsome returns are obtained either through rental, which are high because of the severe shortage of all types of accommodation, or through capital gains on transfers"—J.P. Sah, *op. cit.*

Unforeseen pressures on demand for 'vacant land'⁸ in and around the existing urban centres are being exerted and unscrupulous land speculators add fuel to the fire. The huge backlog of urban housing deficit more particularly in big cities and metropolitan centres, intensifies these pressures. The result is that the land prices are rising very sharply; so also is the general level of rent rising.⁹

This abstract Ricardian logic that explains the relation between rising rents and rising land prices, though a matter of historical accident, is based on the concept of 'scarcity' and 'value'. Unlike modern monetary measure of value, Ricardian measure of value is neither a price deflator nor it explains the relation of 'high rentals' with those of rising prices. There is an inverse relation between the two. Land prices are high not because rentals are high but because value of land is high.¹⁰ Since value of land includes the "right to benefit services rendered by it", the derived demand for land in terms of housing and an expected high rate of return from rentals, can also be associated with the higher urban land values. Much of the emphasis is laid here to analyse this aspect.

Land Value and Price

It appears from the foregoing analysis that the price of land is not synonymous with value of land. The price of land may either be minimised or inflated depending on the interest of both the buyers and sellers in the market. But the value of land on the other hand acts as a barometer to locate the sources of change in the price of land. "Prices may be averaged to minimise or balance ... divergencies, but at a particular time, they may still be biased in one direction or the other by the psychological climate of the period, the availability of mortgage funds or similar factors which would result from a capitalisation of expected rentals and capital appreciation... The value of land arises from the activity which uses it as a base or, frequently more important the use which is expected to be placed upon it in the future."¹¹ The classical

⁸Urban 'vacant land' may be defined as any raw land developed or undeveloped occurring within an urban area or the urbanisable limits of an anticipated planned urban growth. It may also include land with temporary built-up structures. Sometimes, the pressure of building bye-laws enable the owner of land or plot for compulsory construction within a year or so; in that case, the owner who is neither the prospective builder nor user of the plot of land, does provide a temporary shape in the form of built-up area, whose value in terms of the total value of the plot ranges between 5 to 10 per cent, may also be treated as 'vacant land'.

⁹Government of India, Ministry of Health, *Paper on Urban Land Policy*, 1962, p. 1.

¹⁰The economic justification of 'land value' lies in Ricardo's theory of rent. In his view "corn was not high because rents were high but...rents were high because corn was high." "The Principles of Political Economy and Taxation" in Piero Sraffa (ed.), *The Works and Correspondence of David Ricardo*, Vol. 1, Cambridge, 1951, p. 67.

¹¹Milgram Grace, *op. cit.*, p. 13.

concept of 'scarcity' as associated with value and rentals has, therefore, nothing to do either with the act of 'price inflation' or 'price deflation'; instead it is related to the 'value of land'. That is, why to hedge against inflation investment in urban land is most lucrative source of liquidating one's assets. However, for the convenience of reader, we shall use the term 'value' of land interchangeably with the 'price' of land.

Views and Counter Views

There are many views and counter-views on the causes of rising urban land values. One such version holds that the element of 'speculation'¹² together with the scarcity of land in relation to demand especially in the face of rapid urbanisation has created a seller's market in land.¹³ However, this led some economists to conclude, "why this land speculation and not the shortage of land is the most important reason for high land prices?"¹⁴ Except that the investment in land is most fabulous as "finance capital-earned and unearned finds real estate a lucrative business".¹⁵ It is not clear as to what constitutes the element of 'gain' in land market. Is it because of speculation or because of the increased efficiency of space? Or, is it because of scarcity? Although these are mutually exclusive, they are inter-dependent. The following discussion critically examines their role in the determination of urban land values.

Efficiency of Space and the Rise of Value

Speculation in land explains the marginal efficiency of land over and above its projected value. However, there are two aspects of speculation: calculable and non-calculable. In the former case there is no element of risk or uncertainty bearing and the amount of earning tantamounts to interest—a rate of return on capital investment; while in the latter case there is an element of risk involved which yields profit—a surplus over and above the cost of production including the cost of management. But in the case of urban land, the incremental value over and above its opportunity cost of holding, results

¹²Speculation in land may be defined as an act of withholding land or an abnormal buying and selling in the market for future reverse action in the hope of gain. Max Neutze aptly remarks that "Speculators are those who (a) are mainly interested and expect in judging the future value of land rather than in maximising its current, income-earning capacity very frequently, they also (b) discount future returns at a relatively low rate because they have control over large assets or have a good credit rating"—"The Price of Urban Land for Urban Development", *The Economic Record*, *op. cit.*, p. 317.

¹³Ramasubramaniyan, K.A. *op. cit.*

¹⁴Ashish Bose, *Land Speculation in Urban Delhi*. A Report submitted to the National Building Organisation, May 1967. A Revised Draft, Institute of Economic Growth, Delhi, 1969 (Mimeo), p. 11.

¹⁵J.P. Sah, *op. cit.*

from the production of community services¹⁶ and of location decisions on the one hand, and the increased new demand and anticipated future productivity of private investment in housing (in terms of 'rentals') on the other. This increases the marginal efficiency of space. To this, the owner of 'vacant land' has nothing to contribute. Hence, neither it serves any social purpose nor it produces anything except a fabulous amount of 'surplus value' to the owner of land. That is why it is regarded as a social evil.

In a market situation, where urban land dealer creates an artificial shortage, not the scarcity proper, puts a brake on supply but at the same time releases demand which otherwise would remain subdued.¹⁷ Such a demand prompted by the expectation of still higher prices ahead does not allow the buyer to subdue his demand. The possibility of demand exclusion is ruled out in the event of inelastic demand for housing and more elastic demand for urban land. As a consequence, the pace of urban land values is set even still higher to the great merriment of the seller who is at liberty to charge now what the traffic can bear. This amounts to sheer 'profiteering' or black marketing—a situation where prices actually charged are substantially higher than the market prices quoted in the sale 'deeds'.¹⁸ The value of land therefore remains deflated to the extent of price quoted in the 'deeds'.

In view of the above analysis, obviously the question arises: Is speculation in land—urban land—undesirable? To the extent that it offers a way out for unearned incomes and profiteering—surpluses (including that due to tax-evasion) it is undesirable. It is also undesirable insofar as it greatly affects facilities needed by fixed-income groups and small traders and producers.

The solution lies in decentralising economic activities as also administrative activities. In a planned economy, it should not be difficult to bring about such decentralisation. To an extent, the solution also lies in controlling the

¹⁶Since the social overhead capital produces services "it has the character of synchronising time and space between production and consumption—and only with the arising of demand does the production takes place—consequently the waiting social overhead capital is an opportunity provided for the rise of demand or in other words is not unconnected with space...on which economic activities could be undertaken."—Takashi Fujii, *Public Share: A Theory for Distribution and Policy for Development*, Ch. III, 1969 (Trans. Mimeo).

¹⁷A.K. Das Gupta, *Planning and Economic Growth*, London, George Allen and Unwin, Ltd., 1965, p. 95.

¹⁸A Report on *Land Values in Delhi* submitted to the Ministry of Home Affairs by the Town & Country Planning Organization, Government of India, May, 1970, revealed this phenomenon in a few freehold posh colonies where people have quoted as low as Rs. 12 per sq. yd. for a plot in Green Park in 1969. Even in Greater Kailash, quite often land was registered at less than Rs. 20 per sq. yd. in 1969. In other colonies also, minimum registered values were invariably less than Rs. 30 per sq. yd. As against this, the average market price was between Rs. 180-210 per sq. yd. in Green Park and Rs. 75-125 per sq. yd. in Greater Kailash during 1969.

prices at which land can be sold and transferred, but that can be easily evaded through a system of 'out of the court' payments.

III

Land-market in Delhi

While analysing the problem of urban land values in Delhi, Dr. Ashish Bose rejects the element of speculation in land and gives an explanation of the phenomenon of steep rise in land values in terms of "galloping increases in demand for land and the dwindling supply of land."¹⁹ Although it is largely true, the economics of either the 'dwindling supply' or the 'galloping demand', cannot be fully explained in terms of traditional demand and supply functions. Both of these economic functions are largely set in a non-economic context. Since 'Demand' is a parameter of 'Supply', the very nature of 'dwindling supply' does not represent the scarcity proper in terms of demand exclusion—is partly conditioned by the speculative motive of the urban land dealers. Of course, there is no denying the fact that demand and supply functions do play a role in the urban land market. But in magnifying the gap between demand and supply and also for the phenomenal increase in land prices, speculation (whether by an individual or by institution) plays a vital role. It has no value by itself and operates only through the market forces of demand and supply.

Market Value and Rent

Of many other constituent demographic, economic and institutional factors to the forces of demand and supply: (i) inordinate delays in the supply of housing stock, and (ii) the slow rate of expansion of developed area are important factors since land-freeze in 1959. But, on the contrary, there has been a continuing pressure of demand for built-up accommodation which could neither be met either by commensurate housing supply nor by an increased investment intensity in the older areas (due to the operation of out-dated building bye-laws). At the same time, the rate of depletion of building stock in the older areas has been quite significant.

At times when buildings become scarce, as in housing shortage, land values rise; and so also, the market value of built-up properties appreciates. Since demand for urban land is such that productivity or rent is more likely to be determined by the price levels at which land and buildings are exchanging than otherwise,²⁰ there would be a sharp increase in rental value. "To the

¹⁹Ashish Bose, *op. cit.*

²⁰Wallace F. Smith, *Housing: The Social and Economic Elements*, Berkeley, University of California Press, 1970.

extent that amortisation rates or the rates of return determine the quantum of investment, the high property rents also lead to commensurate increase in land prices."²¹ Since land price is a major component of finished housing cost, an increase in its price would necessarily raise the value of newly constructed housing stock further, and so also its rental again. This vicious circle in land-market goes on spiralling.

In the face of scarcity of all types of accommodation (in the form of dwellings, shops, offices, office-cum-residential, etc.) the 'impending exodus' in Delhi of a larger number of industrial houses and foreigners has created a new demand from users (particularly foreign embassies/missionaries) who do not hesitate to offer higher rentals (prices) (due either to their political ends to have offices or due to their experiences of much higher land values in their own countries in terms of their own currencies). This has brought an inter-regional and inter-national flow of 'income-effect' from higher income users.

The increase in rentals of the built-up properties and their value appreciation, has been a sort of inducement to invest more money in buying land: sometimes even by out-bidding in public auctions and/or at black prices in the open market. As a consequence of the duopolistic (public and private) urban land-market, the prices paid at the auctions carry with them a sympathetic rise in land values not only in subsequent auctions but also over the very large land market outside the control of public authority.²² By setting up a tendency to blunt the edge of competition, this has given rise to the institution of 'price-leadership'²³ which plays a role not only of the 'price-leader' but also sets the 'norm'²⁴ for subsequent land operations. This is borne out by the fact that when land prices are rising because of shortage of land for residential purposes, a greater supply of land through public authority should have brought the prices down; instead, they have gone up. It corroborates the fact that the release of plots through public auctions instead of lowering down the prices, has given momentum and set the pace of urban land price ratcheting—a ratcheting effect!

The inflation of urban land values therefore creates a vicious circle. It influences every time the public decision regarding the cost of urban development (insofar as the land-price component for the acquisition of land is

²¹J.P. Sah, "Control and Planned Development of Urban Land: Urban Land Use Control Measures," Inter-regional Seminar on *Urban Land Policies and Land-use Control Measures*, Madrid, 1-13, November, 1971.

²²Government of India, TCPO, *Land Values in Delhi*, op. cit.

²³Joan Robinson, *Economics: An Awkward Corner*, George Allen & Unwin, 1966, p. 56.

²⁴Mukharji, *Urban Land Policy*, op. cit., states that "the existence side by side of privately owned urban land enjoying the benefits of staggering speculative rise in price (consequent, by and large, on environmental pressures and fluctuations in intensity of use brought about by urban community forces) and publicly owned land subject to comparatively strict control creates its own set of acute stresses and disparities...And naturally, too, for having realised high price in auctions, the norm is set at a high level for any assessment of the national price of land...to the great merriment of freehold land."

concerned). The growth of income in Delhi with the growth of economy and society has been an additional factor. The response of the land market to the changing economic and demographic factors, the families whose income lagged behind the average, or whose incomes were too low, regardless of whether they have risen or not, found themselves increasingly priced-out of the new housing market.²⁵ The growth of unauthorized colonies and jhuggi-jhopri settlement patterns bear testimony to this hypothesis. Thus a vicious circle created in urban land market of Delhi has also cautioned the Delhi Development Authority for a broader range of experimentation in methods of urban development.

CONCLUSION

In view of the above analysis, we may conclude briefly that, leaving aside the physical factors of topography, soil, climate, etc., the institutional factors of zoning and subdivision control, and the economic factors of "accessibility—space—transportation costs", speculation dynamics exerts its influence on the rising land-values and its structure such that its impact falls not only on 'rentals' but also on subsequent speculative demand prompted by the expectation of still higher prices ahead.



²⁵Milgram Grace, *op. cit.*, p. 56. According to a Greater Delhi Survey conducted by V.K.R.V. Rao and P.B. Desai in 1956, 82 per cent of the households in Delhi earned less than Rs. 250 per month. This is insufficient income for a modest two-roomed accommodation and keeps the people of this income group out of new-housing market. This demand exclusion does not mean that they do not require housing but they cannot afford the market rent.

*Land Values in Delhi—An Analysis of Spatial Variations**

R.K. WISHWAKARMA

ECONOMISTS from Marshall through Haig to the contemporary theorists, have accepted "the view that the desideratum was to be at the centre of the activity and ties to other establishments in the production process or the number of potential customers were greatest". Almost by definition such a centre was the central business district and it contained the highest land values in the region with smooth declining gradients in all directions. Transportation entered as a means of reaching the advantages of the central business district without paying its rents, so that rents plus transportation costs, called by Haig the 'friction of space' tended to balance at each location.¹ Alonso advanced the theory by pointing out that the space occupied by a home or business is an independent variable which must be included with that of closeness to the centre, in a three-way balance of accessibility-space-transportation costs, in determining the worth of a piece of ground to an individual user.²

Economists as well as practising real estate dealers have realised that models such as this result in tremendous over-simplification. There is some common agreement among the students of land economics as to the more important factors reflecting urban attributes which must be added to location, transportation, and plot size in the study of land value theory. Among these are the physical factors of soil and topography which may prevent certain types of construction and may limit or make access to certain urban services such as water supply, sewerage lines, schools and recreational facilities more expensive. All these factors combined with several other 'amenity factors' explain both land values differentials as well as their pattern and distribution.

* Courtesy: Social Scientists Association, Town and Country Planning Organisation, New Delhi.

Note: The present paper is an excerpt from his dissertation on "Land Values in Delhi—An Analysis of Spatial Variation and Trends" submitted for the award of M. Phil. Degree from the School of Social Sciences, Jawaharlal Nehru University, New Delhi.

¹ Haig, Robert M., "Major Economic Factors in Metropolitan Growth and Arrangement", *Regional Survey of New York and Its Environs*, New York, 1927, Vol. 7 p. 38.

² Grace Milgram, *U.S. Land Prices—Directions and Dynamics*, Washington, 1968.

HYPOTHESES

The pattern and distribution of land values and its differentials in some form being related to the structure of land values, certain aspects of the distribution pattern may be used to analyse land value differential. This suggests for a hypothesis which should consider land value variation being reflected in property uses and shall also explain the relationship between the spatial pattern of land values and property uses. Spatial patterning of land values indicates that the two pieces of homogeneous property or spaces at different points of location are not the same. This suggests for a hypothesis that should consider land value differentials on account of location of certain properties far away from the CBD. This will explain the relationship between distance and location of value. Since certain locations are preferred not because of its nearness to the centre but for other 'amenity factors' for interaction of human activities mastering space is considered as a cost on land value differentials. Sometimes the pressure on urban amenities and services on account of higher level of growth of population, may depreciate the value of land for certain types of uses. The density of population per unit of space and the density of capital (on social overheads) per unit of space have also bearing both on land value differentials and its structure as well as its uses and abuses. This suggests another hypothesis which should consider land value variation on account of density of population. However, in the absence of data on density of capital per unit of space, no suitable hypothesis could be formulated to relate land value with the 'amenity factors'. Nevertheless, the increase in efficiency of space increases the land value.³

RATIONALE OF THE HYPOTHESES

In view of the above discussion the hypothetical factors of land value differentials, *viz.*, location, distance, and density determine the degree to which values are affected by distance from the core and the location of property and also by density. Since intensity of business activity is greatest at the centre⁴ of the city and declines with a unit distance towards the

³ Mahesh Chand & R.K. Wishwakarma, *Urban Land Speculation*, [January, 1972 (typed script).]

⁴ Connaught Place is the Central Business District of the Capital because it is not only the commercial but also a point which provides a link between different parts of urban Delhi. Of 6,127 establishments employing 36,346 workers are housed in New Delhi-Connaught Place area. There is also a glaring difference in the total number of population sustained by the area during the day and night time, since the resident-population constitutes about one-third (*i.e.*, 2,443) of the total number of workers, *i.e.*, about 13,000. Excluding these workers the mobile population has been estimated between 10-20 thousand during the peak hours. But the stream of daily traffic between Connaught Circus and 12 other important connecting routes of urban Delhi constitute about 78,000 mobile population—Cf. Ganguli D. (Mrs.), Estimates of Mobile population in Connaught Circus, New Delhi Redevelopment Advisory Committee, Ministry of Works & Housing, May, 1972, (Mimeo).

periphery, there is also declining tendency in the intensity of land-use toward periphery, where land is more abundant. As such, if the value of land declines with a decrease in the intensity of land-use, land values could also be expected to decline with the distance from the core.

Although there is some general consensus on the kinds of factors that explain price variations, their relative importance in varying situations and predictability, is not known. In India, no serious effort has been made to establish the relative importance of various factors that explain land value differentials. However in this study due to paucity and data limitations, we could not cover all the factors which may account for urban land value differentials. Nevertheless, we have tried to establish relationship of land value differentials mainly by distance from the core and gross density at the level of aggregation. The findings of this preliminary study, however, promises that a comprehensive study will be rewarding.

In order to analyse the pattern and distribution of land values as well as to identify the factors affecting land value differentials, the analysis has been dealt with in two parts. The first part analyses the pattern and distribution of land values both intra-zonal and inter-zonal; and the second part analyses the factors affecting land value differentials and their relationships and measurement.

Part I—Land Value Pattern

An analysis of the pattern of land value distribution suggests that the value of land declines as the use changes from commercial to residential. The land value in each zone is more for commercial use, less for residential-cum-commercial and the least for residential. This analysis is more suggestive of two value-promises, *viz.*, the marginal return from commercial use is higher than residential or residential-cum-commercial and secondly the commercial properties constitute somewhat a small proportion of the total private property and as such are in great demand. The use of average value per property is an indication of the degree of variation in land value by use which carries the implicit assumption that equal size of property in each category and its intra-zonal and inter-zonal variation is due to site location and intensity of use. To substantiate this argument, the data (*vide* Table 1) reveals that for commercial and for commercial-cum-residential use, the land value is the highest in Connaught Place as compared to other zones (*viz.*, Civil Lines, City, Sadar-Paharganj, Karol Bagh and South Delhi Zones—in order).

If we take into account the residential value, Civil Lines Zone has the highest value followed by Karol Bagh, South Delhi and City, Sadar-Paharganj. It could generally be observed that apart from distance from the core, *i.e.*, Connaught Place, the localities predominant nature of 'land-use' and its intensity played a vital role in the variation of land values. It is also evident

Table 1
INTER-ZONAL VARIATION IN LAND VALUES BY USE DURING 1971-72¹

Zone	(in Rupees per Project)		
	Zonal Average Value by use		
	Residential	Commercial	Residential/ Commercial
A. New Delhi-Connaught Place	—	17,83,383 ²	—
B. Karol Bagh	32,006	58,191	36,560
C. Civil Lines	33,409	2,55,435	1,13,940
D. City, Sadar-Pahar Ganj	22,810	59,201	53,558
E. South Delhi	28,054	35,410	22,260

Note : ¹These values are the zonal averages for respective uses based on rateable value of properties annually assessed by the Assessor and Collector of Taxes, Municipal Corporation of Delhi.

²The value is based on the actual rent being paid by the occupants of the property per annum.

from Table 1 that for residential use, the variation in value is more in Civil Lines, than in South Delhi and Karol Bagh and least in City, Sadar-Paharganj. The value thus depends more on many other factors such as the density of capital on social overheads per unit of space.

The above analysis is of a very generalised nature as the data collected is only for those plots where the total rateable value was more than Rs. 16,000 and above irrespective of the plot-size which is an important factor for the analysis of land value. In the absence of this information in Municipal records, 8 frequency ranges of land values have been prepared to bring about uniformity and consistency assuming that each frequency range represents a 'homogeneous' plot-size.

INTER-ZONAL VARIATION IN LAND-VALUE BY RANGE

A further analysis of inter-zonal variation in the various ranges of urban land values by use (*vide* Table 2) reveals that in the value range of Rs. 16-20 thousand—City Sadar-Paharganj; in 20-25 thousand—Civil Lines, in 25-30 thousand—South Delhi, in 30-35 thousand—Karol Bagh and in 50 thousand and above—South Delhi have the highest values. The data for Commercial and Residential-cum-Commercial use are insufficient for enabling a comparison for the four zones respectively. Even for residential use, a complete analysis is not possible due to non-representation of land value ranges in certain localities. The problem of non-representation of land value-ranges in

Table 2
INTER-ZONAL VARIATION IN THE RANGE OF URBAN LAND VALUES IN DELHI DURING 1971-72

Average Values by use in '000 rupees	Residential				Commercial				Residential/Commercial			
	(B)	(C)	(D)	(E)	(B)	(C)	(D)	(E)	(B)	(C)	(D)	(E)
16-20	18,018	18,564	19,820	17,685	17,685	—	—	18,620	—	—	18,040	18,295
20-25	21,406	22,872	20,380	22,117	21,305	—	23,330	21,602	—	—	22,570	23,473
25-30	25,245	27,656	26,443	29,066	—	—	27,610	28,190	—	—	25,650	—
30-35	32,480	30,620	—	32,083	34,500	—	—	33,480	—	—	32,058	—
35-40	37,297	—	—	37,270	—	—	36,480	36,398	36,560	—	35,165	—
40-45	—	—	44,660	43,270	40,650	—	—	42,170	—	—	—	—
45-50	—	—	—	47,545	16,495	—	49,600	46,560	—	—	—	—
50 and above	79,842	60,750	—	66,398	1,48,251	2,55,435	1,60,060	81,772	—	1,23,940	95,920	—
Zonal Average	32,006	33,409	22,810	28,504	58,101	2,55,435	59,201	35,201	36,560	1,23,940	53,558	22,260

Note : 1. These values are the average rateable values of the property annual assessed by the office of the Assessor and Collector of Taxes, Municipal Corporation of Delhi.

2. The land values of the CBD, i.e., New Delhi, Connaught Place (Zone-A) are based on the actual rents being paid by the occupants annually. The average value of commercial landuse is Rs. 17,83,383 Annual. This data has been taken from survey of properties undertaken by the New Delhi Redevelopment Committee, Town & Country Planning Organisation, Government of India, 1971-72.

N.B: B—Karol Bagh Zone C—Civil Lines Zone D—City, Sadar-Paharganj Zone E—South Delhi Zone

certain localities suggests that there is a significant gap between the value assessed and the actual value. The assessment thus becomes defective with the result that land value remains hidden to a great extent which if tapped may improve the fiscal soundness of urban local bodies.

INTRA-ZONAL VARIATION IN LAND-VALUE

Residential

Of four zones under the analysis, the residential value in the maximum range of Rs. 50 thousand and above value was in Kingsway Camp, Model Town and Kamla Nagar in Civil Lines Zone, Najafgarh Road in Karol Bagh zone, and Lajpat Nagar in South Delhi zone. The minimum value in the range of Rs. 16-20 thousand was in C.C. Colony, New Chandrawal in Civil Lines Zone, South Patel Nagar, Poorbi Marg and Naiwala in Karol Bagh zone, Chunamandi in City, Sadar-Paharganj zone and Anand Niketan, Kalkaji Road, Panchsheel Colony, Kailash Colony, Safdarjang Development Area and Hauz Khas in South Delhi Zone (See Appendix I to IV).

Commercial

The value of Commercial use is highest in Connaught Place, *i.e.*, CBD., Prem Nagar in Civil Lines zone, Arya Samaj Road in Karol Bagh zone, Multani Dhanda in City, Sadar-Paharganj zone and Jangpura and Kalkaji (Extension) in South Delhi zone. The corresponding minimum value of commercial use is in Roop Nagar in Civil Lines, Poorbi Marg and South Patel Nagar in Karol Bagh, Nabi Karim in City, Sadar-Paharganj, and Green Park Extension and Okhla Industrial Estate in South Delhi.

IMPLICATIONS OF THE ANALYSIS

It is common knowledge that land sold or property rented at different prices for single use or for different uses and even for the same use in different localities/zones of the urban metropolitan Delhi. However the use of local and zonal averages serve to minimise the greater range found among smaller areas. Looking at residential land-use largely, values in developing localities are over twice or thrice as high as those in comparable localities of more congested older areas of Delhi. However, there are no studies which attempt to explain such local and zonal differences, either in overall averages or for particular type of use of land in different zones of city areas. Since a combination of factors will explain the degree of variance at most, and since the same variables seem to have different relations with the value of land under varying circumstances, it is necessary to measure the degree of relationship and the contribution of each factor to the value of land. In view of this an attempt has

been made in the next section to measure some of the factors that account for the variation in land values.

SPECIFICATION OF VARIABLES

In order to analyse land value differentials, three variables, viz., land value, distance and density have been taken into account, viz., land value (Y), is the average value of each locality, distance (X) is the actual road distance from the CBD, and density (X_2) is the zonal gross density.

FORM OF FUNCTION

In order to study the spatial variation in the land values in various zones due to the factors like the distance from a nodal point and density of population in each zone, regression equations of the following forms have been fitted to the data by the least square method:

$$(1) \quad y = a + b_1 x_1 \quad \dots \quad b_n b_n x_n$$

$$(2) \quad y = a \quad x_1 b_1 \quad \dots \quad x_n$$

The second equation which is curvilinear in nature has been fitted in addition to the linear equation in order to get an idea of the extent of variation in land values being explained by the above factors under different models. Further the coefficient of 'b' in second equation gives the elasticity, which could be interpreted directly. However, it should be noted that the 'b' value in the second equation would remain constant throughout the relevant ranges of the concerned variables.

In each type of equation, the distance from the nodal point has always been treated as independent (variable explanatory variable) to explain the land value differentials. However, in working out the relationship at an aggregate level combining all zones, density of population has also been taken as the independent variable in explaining the variations in land values. The relationships have been worked out separately according to the uses of land for residential, commercial and commercial-cum-residential.

Residential

The regression coefficient of distance from the core on the land values of the localities is positive and turns out to be significant at 5 per cent level of significance only in Civil Lines area. This also indicates that for Civil Lines as the distance increases from the core the land value goes up. The curvilinear function indicates that increasing one per cent distance from the core, about .54 per cent of land values will be increased. This phenomenon is quite

understandable particularly in the case of Civil Lines (*vide* Table 3), which is predominantly used for residential purposes. The higher income group and/or people conscious of social status would prefer more private spacious accommodation than nearness to the core. They could afford to live at a distance from the core but desire to have better and spacious accommodation and quality environment with better amenities of life.

However, in other localities such as Karol Bagh and Sadar Bazar, which happens to be nearer and contiguous with the core area, regression coefficients for distance are negative though not significant indicating that the land values have tendency to increase with the increase in distance from the core. This phenomenon of value decrease with the distance—increase may be due to the fact that in the Karol Bagh and City, Sadar-Paharganj zones commercial uses of land are more predominant than the residential ones, with the result the effects of both uses might have confounded. Since there is predominance of commercial use, the residents of these zones have tendency to stay nearer to the place of business activities, which have been concentrated mainly in the core zones.

REGRESSION EQUATIONS OF LAND VALUES ON DISTANCE RESIDENTIAL USE

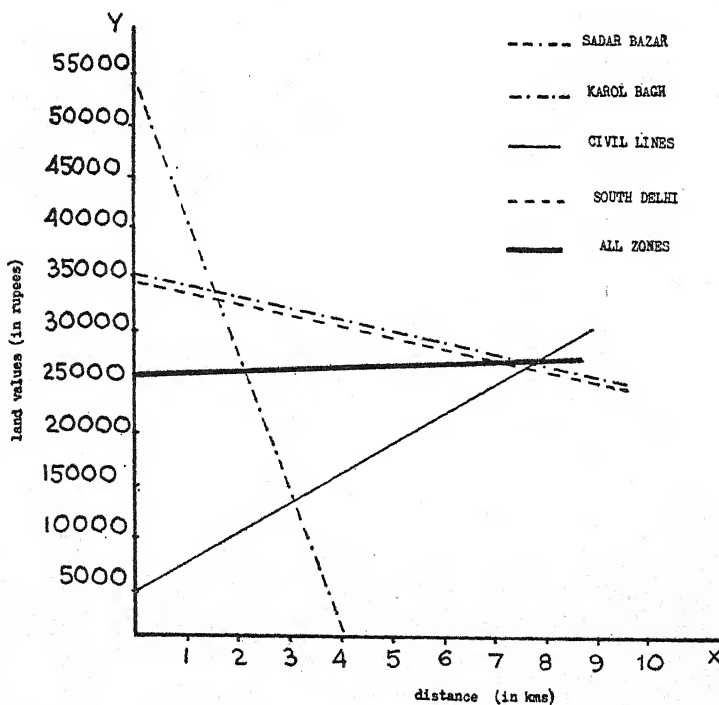


Fig. 1

Table 3
REGRESSION COEFFICIENTS AND STANDARD ERRORS OF LINEAR AND CURVILINEAR FUNCTIONS OF RESIDENTIAL
VALUE IN DIFFERENT ZONES

Name of the Zone	Model No.	Linear		R^2 (in per- centage)	Cobb Douglas		R^2 (in per- centage)
		Constant (a)	Reg. Coefficients x_1 x_2		Constant (a)	Reg. coefficients x_1 x_2	
City, Sadar-Paharganj	(1)	53,799.90 (31,449.17)	-12,822.00 (14,595.42)	13.37	11.88 (0.79)	— .977 (1.034)	15.13
Karol Bagh	(1)	35,250.75 (10,224.77)	-1,013.79 (1,615.33)	2.94	10.77 (0.51)	— 0.303 (0.284)	8.03
Civil Lines	(1)	4,633.09 (8,682.86)	2,946.49* (976.65)	34.87	9.11 (0.53)	.535* (0.249)	21.37
South Delhi	(1)	34,590.62 (6,854.56)	— 983.79 (719.78)	7.51	10.83 (0.48)	— .326 (.217)	8.90
All Zones	(1)	25,654.80 (3,292.66)	257.79 (403.15)	0.63	10.19 (.14)	— .007 (.072)	.01
	(2)	20,994.31 (6,245.20)	650.35 (620.19)	1.83	9.19 (0.92)	0.094 (0.117)	1.89 (0.076)

Note: *Significant at 5 per cent level of significance. Figures in parenthesis indicate the standard errors of the coefficients.

It is noteworthy that the positive value of regression coefficient for Civil Lines zone is due to its predominance nature of residential use. Whereas the Karol Bagh and City, Sadar-Paharganj zones have a mixed type of use, *i.e.*, the residential-cum-commercial which gives the negative value of regression coefficients as stated above.

The coefficient of determination (R^2) indicates that in the Civil Lines zone, distance from the core, *i.e.*, CBD accounts for about 35 per cent of the variations in the land values as obtained for the linear equation. Whereas in the case of curvilinear equation, it explains only about 21 per cent of the variations in the land values. In Karol Bagh zone, curvilinear equation explains about 8 per cent of the variations in the land values, as compared to linear one, which accounts for about 3 per cent only. In other zones, *i.e.*, City, Sadar-Paharganj and South Delhi, there does not appear to be much difference in the value of (n^2) between linear and curvilinear equations.

It should be noted that when the relationship has been worked for all the zones combined, explanatory power of model completely breaks down ($R^2 = 0.63$). This is because of greater variations in the land values between zones, with the result, distance from the core and density of population have failed to play any significant role in explaining the variations in the land values. Our results suggest that there are many other factors as mentioned above, which are operating in the determination of the land values in the zones. Among them, distance from the core is the one, which accounts for about 8 to 35 per cent of variations in land values and variation due to other factors not considered here remain as high as about 65 per cent under both the equations. This implies that unaccounted variables have much to do with the variations in land values in Delhi. Figures 1 and 2 show the regression equations of distance or land value by type of uses.

In the light of the above analysis, it may be further concluded that the value of intercept 'a' is also an important indicator to ascertain the importance of CBD to the respective zones. Theoretically, it also estimates the hypothetical value of CBD on the basis of the value prevalent in respective zones. Greater the value of the intercept 'a' more is the impact of CBD on various zones as the core of all zones in a relative sense.

The difference between the actual value of CBD and those hypothetical values are also indicators of the level of influence of CBD on respective zones. It could be seen from Table 4 that more the value of 'b' less the value of 'a' which concludes that more is the importance of core to the zones (as indicated by the value of intercept 'a'), more will be the decline or less the increase in value per unit distance increase (as indicated by the regression coefficient 'b'). The intensity of CBD as the centre is reflected more in City, Sadar-Paharganj, less in Karol Bagh, South Delhi, and Civil Lines in that order as indicated by the value of intercept 'a'.

Commercial

An analysis of the Table reveals that in Karol Bagh the regression coefficient for distance from core turns out to be significant at 10 per cent level of significance. Negative value of regression coefficient indicates as the distance from the core increases, the land values start decreasing. Also in other zones, *i.e.*, South Delhi, City, Sadar-Paharganj, though the regression coefficients have negative sign but they are not significant. However, the Karol Bagh zone, has got relatively bigger retail shopping complex, and it is quite near to the core area and government offices. This phenomenon is responsible for the fact that as distance increases from the core, the land values decrease significantly.

For Karol Bagh zone, distance from core accounts for about 62 per cent of the variations in the land values, for City, Sadar Paharganj which is mainly wholesale shopping centre, distance from the core has explained about 17 per cent of the land value differentials, whereas in South Delhi zone only 7 per cent of the variations have been explained by the distance factor. However, at aggregate level combining all zones distance from the core has failed to account for differentials in land values between zones as has been found above in the case of residential use of land.

REGRESSION EQUATIONS OF LAND VALUES ON DISTANCE
COMMERCIAL AND RESIDENTIAL-CUM-COMMERCIAL USE

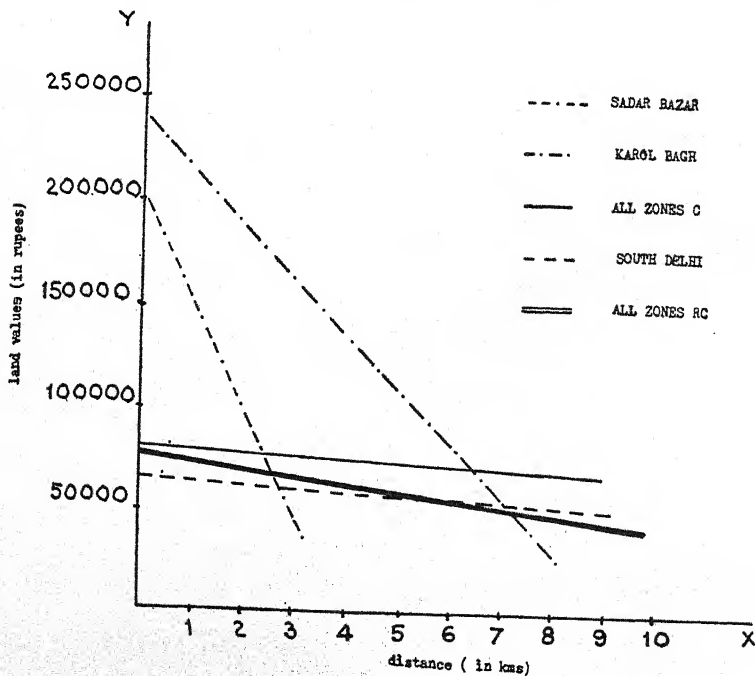


Fig. 2

Under commercial use, the CBD exerts a strong level of influence in all zones as a core since the value of intercept 'a' is Rs. 79,233.10 which represents the estimated value of CBD in terms of the existing value in all zones. Moreover, the intensity of decline in order by zones is Karol Bagh, City, Sadar-Paharganj and South Delhi. This leads to conclude that insofar as the commercial land values are concerned, there is a tendency of their concentration near the CBD. The simple economic reason being that locations of business houses and firms away from the centre involve high opportunity cost of land including its services and distance away from the centre. The dominance of CBD both on Karol Bagh and City, Sadar-Paharganj also implies more interaction between CBD and these zones and lesser interaction in South Delhi zone in the absence of any sub-central business district, that is why, the value of regression coefficient 'b' is lower in South Delhi zone.

Commercial-cum-Residence

The values of standard errors are higher than the regression coefficient in both the models. Therefore, it would be difficult to draw any inference from this category of land-use (see Table-4). This phenomenon may be explained by the confounding effect of both the uses of land as stated above. However, it may be pointed out here that the distance from the core has played relatively greater role in explaining the land value differentials than the density of population of zones.

CONCLUSIONS

On the basis of the analysis of empirical findings it has been found out that the value of land is seen to be determined by its immediate product and the productive and locational advantages of one property site over another, but also by the intensity of use.

- (1) The distribution pattern of land values, as of 1971-72, suggests that the value of land declines as the use changes from commercial to residential. The land value in each zone is more for commercial use, less for residential-cum-commercial and the least for residential, also corroborates with the general hypothetical belief.
- (2) The problem of non-representation of land value-ranges in certain zones suggests that there is a significant gap between the value assessed and the actual value existing in the localities.
- (3) The land sells or property rented at different prices for single use or for different uses and even for the same use in different localities and zones of urban Delhi but the use of local and zonal averages serve to minimise the greater-range found among smaller areas. Since values in developing localities are over twice or thrice as high as those in comparable localities of more older areas of Delhi.

Table 4

REGRESSION COEFFICIENTS AND STANDARD ERRORS OF LINEAR AND CURVILINEAR FUNCTIONS OF COMMERCIAL AND RESIDENTIAL-CUM-COMMERCIAL VALUE IN DIFFERENT ZONES

Name of the Zone	Model No.	Linear			B^2 (in per- centage)	Cobb Douglas			R^2 (in per- centage)
		Constant (a)	Reg. Coefficients x_1	x_2		Constant (a)	Reg. Coefficients x_1	x_2	
Karol Bagh	(1)	2,38,170.03 (83,286.34)	-26,382.13† (11,831.83)	—	62.37	14.94 (6.67)	-2.249	—	48.27
South Delhi	(1)	64,885.12 (32,072.80)	-1,722.31 (3,009.17)	—	2.45	11.81 (1.25)	-.547 (.543)	—	7.23
Sadar Bazar	(1)	2,10,673.90 (1,31,473.46)	-54,485.79 (49,039.85)	—	17.06	11.83 (1.19)	-1.088 (1.321)	—	11.53
All Zones Combined	(1)	79,233.10 (38,445.86)	-1,471.45 (4,500.00)	—	0.38	11.14 (0.46)	-.234 (.234)	—	3.45
	(2)	1,055,20.14 (93,452.07)	-3,594.00 (8,240.57)	-0.39 (1.27)	0.73	12.95 (3.67)	-0.443 (.481)	-.147 (.296)	4.33
Residential-cum- Commercial	(1)	77,627.35 (25,239.55)	-3,861.43 (4,027.50)	—	9.26	11.39 (.494)	-.492 (.310)	—	21.81
	(2)	36,334.05 (1,03,644.6)	-45.26 (10,179.40)	0.52 (1.25)	11.15	8.57 (5.89)	-.175 (.734)	.232 (.482)	24.02

Note : † Significant at 10 per cent level of significance.

Figures in parenthesis indicate the standard errors of the coefficients.

- (4) The value of land decreases as the distance increases from the core. The regression analysis undertaken points out that the effect of density is not significant in the land value and at the aggregate level the explanatory power of model completely breaks down; whereas the distance is significant only in a few localities. The negative regression coefficients in all localities for commercial and commercial-cum-residential uses and in localities of three of the four zones under residential uses are in conformity with this general hypothesis, though some confounding uses within the residential use have marred the relationship which otherwise might have given quite consistent results.
- (5) The intensity of Connaught Place as a core to the localities is found to be more as could be generally conclusive, where the decline of land value per unit distance, is found to be more.
- (6) Distance from the core played relatively a greater role in explaining the land value differentials than the zonal density of population.

INTRA-ZONAL VARIATION IN URBAN LAND VALUES BY USE IN KAROL BAGH ZONE, 1971-72

(Value in Rs.)

Spatial Unit (Name of locality)	Residential			Commercial			Residential/Commercial		
	Sample Properties	Average Value		Sample Properties	Average value		Sample Properties	Average value	
1. Najafgarh Road	3	51,184		10	50,991		—	—	—
2. W.E.A. Karol Bagh	9	32,095		—	—		1	36,560	
3. Gurudwara Road	1	24,410		—	—		—	—	—
4. Arya Samaj Road	1	31,860		2	1,46,545		—	—	—
5. Ajmal Khan Road	4	45,613		—	—		—	—	—
6. Pusa Road	5	35,240		—	—		—	—	—
7. Original Road	1	24,460		—	—		—	—	—
8. Rohtak Road	2	20,080		—	—		—	—	—
9. Poorvi Marg	5	18,834		1	16,200		—	—	—
10. Bazar Road	1	25,490		—	—		—	—	—
11. Rajender Park	2	28,350		—	—		—	—	—
12. West Patel Nagar	3	26,013		—	—		—	—	—
13. South Patel Nagar	1	18,770		1	19,170		—	—	—
14. East Patel Nagar	1	33,380		1	34,500		—	—	—
15. Naiwala	1	19,550		—	—		—	—	—
Zonal Average	40	32,006		15	58,191		1	36,560	

Source: Office of the Assessor and Collector of Taxes, Municipal Corporation of Delhi.

INTRA-ZONAL VARIATIONS IN LAND VALUE BY USE IN CIVIL LINES ZONE, 1971-72

Appendix II

Spatial Unit (Name of Locality)	Residential			Commercial		Residential/Commercial	
	Sample Properties	Average value	Sample Properties	Sample Properties	Average value	Sample Properties	Average Value
1. Chabiganj	1	28,520	—	—	—	—	—
2. New Chandrawal	1	19,980	—	—	—	—	—
3. Jawahar Nagar	2	22,455	—	—	—	—	—
4. Kamla Nagar	3	51,127	—	—	—	—	—
5. Kingsway Camp	1	60,750	—	—	—	1	1,13,940
6. Roop Nagar	1	28,780	—	—	—	—	—
7. Bara Bazar	1	23,080	1	1	19,520	—	—
8. Bela Road	2	23,155	—	—	—	—	—
9. Kashmere Gate	1	29,750	—	—	—	—	—
10. Alipur Road	1	21,600	—	—	—	—	—
11. Ludlow Castle Road	1	25,870	—	—	—	—	—
12. Rajpur Road	1	24,300	—	—	—	—	—
13. Lucknow Road	1	27,000	—	—	—	—	—
14. Timarpur	2	26,300	—	—	—	—	—
15. Delhi University Campus	2	23,145	—	—	—	—	—
16. Shorakothei	1	28,760	—	—	—	—	—
17. Shakti Nagar	1	25,000	—	—	—	—	—
18. Model Town	5	58,312	—	—	—	—	—
19. Prem Nagar	—	—	—	—	—	—	—
20. C.C. Colony	1	18,950	1	1	4,91,350	—	—
Zonal average	29	33,409	2	2	2,55,435	1	1,13,940

Source: Office of the Assessor and Collector, Municipal Corporation of Delhi.

Appendix III

INTRA-ZONAL VARIATION IN LAND VALUES IN CITY, SADAR-PAHARGANJ ZONE DURING 1971-72

Spatial Unit (Name of Locality)	Residential			Commercial			Residential/Commercial		
	Sample Properties	Average value		Sample Properties	Average value		Sample Properties	Average value	
1. Jhandewalan	1	—		1	44,560		13	48,058	
2. Chitrugupta Road	1	23,610		—	—		—	—	
3. M.M. Road	1	44,820		2	35,210		2	30,900	
4. Original Road	3	22,430		—	—		—	—	
5. Loha Mandi	—	—		—	—		1	1,15,560	
6. Jhandewalan Road	—	—		—	—		1	1,42,670	
7. Nabi Karim	—	—		1	21,600		—	—	
8. Basti Harphool Singh	1	21,060		—	—		—	—	
9. Anaj Mandi	—	—		1	64,720		—	—	
10. Ghas Mandi	—	—		1	49,600		—	—	
11. Pan Mandi	—	—		—	—		—	—	
12. Gali Chullehn Wali	—	—		—	—		1	56,860	
13. Kutub Road	—	—		—	1		1	22,570	
14. Library Road	—	—		3	27,680		—	—	
15. Ram Nagar	—	—		1	36,480		—	—	
16. Multani Dhandra	3	24,770		—	—		—	—	
17. Chuna Mandi	1	19,820		1	2,55,340		—	—	
Zonal average	11	22,310		10	59,201		19	53,558	

Source: Office of the Assessor and Collector of Taxes, Municipal Corporation of Delhi.

INTRA-ZONAL VARIATION IN LAND VALUES BY USE IN SOUTH-DELHI ZONE DURING 1971-72

Appendix IV

Land Values in Delhi—An Analysis of Spatial Variations

Spatial (Name of Locality)	Residential			Commercial			Residential/Commercial		
	Sample properties	Average value		Sample properties	Average value		Sample properties	Average value	
1. Green Park	5	23,228							
2. Green Park Extn.	4	30,440		1	17,820				
3. Hauz Khas	5	18,530		2	20,630				
4. Safdarjang Development Area	13	19,603					3	24,240	
5. Lajpat Nagar (Ring Rd.)	7	34,880							
6. Lajpat Nagar (Pt. IV)	6	52,432		4	30,525				
7. West End Colony	11	25,366							
8. Defence Colony	14	27,231							
9. Kailash Colony	5	19,914		1	22,680				
10. Greater Kailash	40	24,190		1	35,670				
11. Maharani Bagh	21	29,250					1	16,980	
12. Sunder Nagar	22	26,872							
13. Nizamuddin (West)	3	21,456		1	35,480				
14. Nizamuddin (East)	8	32,411		1	69,860				
15. Friends Colony	15	28,330		1	86,400				
16. South Extension Pt. I & II	12	24,853		19	32,432		1	21,600	
17. Sarvodaya Colony	1	21,600							
18. Shanti Niketan	1	32,400							
19. Anand Niketan	1	16,200							
20. Panch Sheel Colony	3	19,513							
21. Padmini Enclave	2	20,425							
22. Kalkaji Extn.									
23. Ishwar Nagar				1	1,16,500				
24. Kalkaji Road	1	18,950		1	30,460				
25. Okhala Indl. Estate				4	19,923				
26. Kilokri Ring Road	1	26,620							
27. Hari Nagar				1	22,010				
28. Jangpura	2	20,170		1	1,02,600				
29. East of Kailash				1	65,050				
30. Sewa Nagar	1	21,170							
Zonal average	204	28,054		40	35,410		5	22,260	

Source: Office of the Assessor and Collector of Taxes, Municipal Corporation of Delhi.

Urban Land Management—Some Issues

A.L. NARULA

IN the wake of industrialization, modernization and rapid urbanization, urban land uses are undergoing profound changes. In spatial terms such changes are manifested in increased densification, rapid development and building activities on vacant sites, conversion of single and double storey buildings into multi-storey structures, etc. The physical size of the urban areas has been increasing resulting in haphazard urban sprawl and premature 'spot development' not so much from public decisions as from decisions of private individuals, thus slowly and imperceptibly nibbling at the agricultural lands.

In economic terms these changes are manifested in considerable quantities of land being brought under industrial, commercial and other uses like industrial estates, commercial arcades, warehouses, governmental and institutional office complexes, recreational uses and so on. National development programmes also affect urban land uses. Besides, activating the public authorities to providing for various utilities, community facilities and civic amenities, they also make the private sector responsive in developing hotels, entertainment centres, apartment houses, shopping centres, commercial offices, godowns and so on. All these developments make heavy demands on urban space which are being met through redevelopment of existing land uses and conversion of outlying rural lands in urban uses.

Howsoever inevitable and desirable be these changes, the weakest point in this process has been that the changes have taken place and are still occurring through *ad hoc* private and public decisions without any planning, control and coordination resulting in the deterioration of urban and human environment. As such, the effective and rational allocation of land resource amongst its various claimants has become of critical importance. However, any such rational land management warrants the knowledge of existing land-use inventory and its ownership rights.

Although many government departments, municipalities and various other public authorities do own some land in urban areas, inventories of this asset

* Courtesy: Social Scientists Association, Town and Country Planning Organisation, New Delhi.

are not maintained. Very few of them seem to appreciate the significance of this asset either from the point of its present and future resource potential or as an investment to promote proper land-use planning, housing and urban development. This is evident from the fact that the public authorities do not have precise measurements of the lands they own nor do they maintain their inventories. Most of the squatting, unauthorised constructions and encroachments in urban areas take place on public lands because they are neglected by their owners. Inventories of land owned by private agencies, institutions or families are also not kept by any agency.

In the absence of any inventory of land-use information on the extent of public or private land ownership and related matters like how much of real estate/property is held by whom is not available. What are the existing land use patterns? How are they changing over the period? And the alike questions remain unanswered. But such information is needed not only for developing land consciousness and long-term perspectives by the planners charged with the responsibility of urban planning but also by various other governmental institutions like administrative agencies responsible for carrying out socio-economic reforms such as ceilings on urban property, rational distribution of land as per one's needs, provision of house-sites to houseless people. This is also needed by the authorities charged with the responsibility of realisation of urban land taxes at all levels. At the national level taxes like income tax, gift tax, wealth tax, estate duty; at the state level taxes like tax on urban land and immoveable property, stamp duties and the local level taxes like property taxes, betterment levies, etc., are of significant importance.

The introduction of any system for comprehensive urban land inventory is, of course, an essential element of urban land management which may contribute very significantly to the improvement of urban space as well as for the benefit of governmental agencies at the national, state and local level. Still, at present, there is a very little awareness and seriousness about the problem. This explains as to why even at the state level there is neither a broader perspective of problem nor any agency charged with the responsibility of preparation and assessment of land inventory.

This paper, therefore, attempts to analyse the uncoordinated existing systems of land inventory preparation, land record maintenance, transfer of properties under the different holding systems and certain lacunae in the system as a whole. It also suggests a workable and suitable machinery for land inventory and the problems to be encountered in its implementation has been sorted out.

PRESENT SYSTEM OF LAND INVENTORY

The existing practice of making land-use inventory is not as the term connotes. It is made by various agencies for their specific purposes, totally uncoordinated with each other and at different times. The Town Planning Departments survey the existing land-use at the time of preparation of Master/

Development Plans. They may resurvey the whole or part of the particular urban area at the time of review or reformulation of the plan or if there happens to be some tremendous deviation in its use than the stipulated one. The municipal authorities survey the areas for the upkeep of their records for property taxes irrespective of the fact whether the title to the real estate belongs to the house owner or not. The income tax authorities survey the areas to locate new construction for the purpose of property returns and income tax payments. The wealth tax authorities also survey the urban areas to find out the wealth concealed in real estate. The authorities responsible for gift tax and estate duty also survey them. The industries departments keep on surveying the areas to locate factories. The census authorities survey the areas to locate and enumerate census houses and households. The state authorities locate the properties for taxes on immovable property. Thus various alike agencies survey the land-use and prepare property inventory in urban areas either once a while or at recurring intervals.

Whatsoever little is being done by these agencies, is fragmentary, piecemeal, uncoordinated and in inefficient manner without any sense of direction or priorities as emerging from the total situation. Again, in cost terms, all these uncoordinated surveys turn out to be of colossal amount.

LAND RECORD MAINTENANCE

Under the existing system, in the rural areas of India, there is a well organised revenue agency which keeps the record of every piece of agricultural land holdings by making mutation entries in the revenue records of proprietary rights. At the time of every succession or sale/purchase of revenue land, the mutation entries made by the revenue officials—patwari/lekhpal, etc., at the instance of the successor or purchaser. But practically there is no agency responsible for keeping such records of titles for the real estate/properties owned by persons—individually or jointly or by institutions or agencies in any of the human settlements—whether rural or urban. What use is being made of a particular parcel of land or area? Who owns a particular piece of land or property? There is no official agency which is responsible to answer such queries.

PROPERTY HOLDING SYSTEM

The real estate management system with regard to the titles of ownership in India are known as free-hold and lease-hold ones. In both the cases, property can be transferred by the seller to the buyer by getting such transfer/sale deed registered with the Registrar of Properties.

REGISTRATION OF TITLE DEEDS

No title of real estate can be obtained without having it registered with the Registrar. The purchaser in the case of free-hold and the lessee in the case of lease-hold property presents the sale or lease deed document duly stamped

before the Registrar who satisfies himself that: (a) the document is properly stamped, (b) the deed has been struck under an atmosphere of mutual understanding and not of any coercion or pressure, and (c) the stipulated payment of the transaction as stated in the deed has been made by the purchaser to the seller. A copy of this deed is retained in his office for record. And with the registration of this deed the legal requirement of the transaction is complete.

LACUNAE IN THE SYSTEM

There is no agency who is to mutate entries of such a transaction made by the purchaser. Again, the Registrar is also not obliged to keep record of titles of properties by ownership or use nor he is obliged to report the registration fact to any other agency. It keeps copies only of those deeds which are presented before him for registration. So in the absence of even their registration particulars, *viz.*, date of registration, names of seller, purchaser, etc., it is not possible to locate even this transfer record. And what about the properties held by the individuals in succession? As such the basic lacunae in the existing system is that it is not possible to locate, at a particular point of time, as to who owns a particular piece of land/property. And also how much of property, in any settlement, is held by any person—individually or jointly?

The Municipal authority, at their own, may locate the owners of the property for the purpose of their property taxes. The owners of the estates, whether free-hold or lease-hold and whether holding it because of its succession or purchase are not, of their own, obliged to report this fact to the municipal authority under any municipal law. So it is the latter who has to trace the former for its taxes. Most often, it has been observed that the local authorities keep on issuing notices for payment of municipal taxes to the former owners even though they have disposed off their properties long before. And the new owner avoids informing the authority as it helps him in deferring the payment of taxes. He discloses these facts to the municipal authority only when he needs some services or facilities at his site. Still it may not essentially mean that want of certain services will warrant him to have his property entered in municipal records for the purpose of municipal taxes, since there is no proper coordination even among the various departments of the same local body.

Although people are obliged to report the acquisition of real estate/property under various statutes like income tax, wealth tax, gift tax, estate tax, etc., they avoid doing so despite the provision of punitive liabilities. It is obviously so because of administrative inertness, harassment, inefficiency and lack of incentives—monetary or material, to the people.

Another lacunae in the existing system is that the seller of the property in the case of free-hold rights retains with him his original documents of title, even after the sale of his property though that document legally becomes redundant. This enables him to cheat the innocent purchasers of the property, who has no avenue of getting it verified from any source, and by showing

these title papers to the intending buyers, he satisfies them about his being the owner of the said property. He not only succeeds in striking the deal but also does not hesitate to get the sale deed, which is of course, fictitious and illegal, executed in the office of the Registrar. There are no counter-check measures with the Registrar to verify the genuineness of the deed or its being free from encumbrances and doubt the integrity of the seller. This way such conceit owners of free-hold property sell the same piece of property over and over again and run away or go underground leaving the buyers in lurch.

Another lacunae observed in the existing system comes to the fore when any public authority concerned with land development or land-use for some public purpose acquires the real estate. In view of the non-existence of any agency to give information about clear identity of the titles of individuals/families or institutions to their respective estates and also because of the fact that the mutation entries in the revenue record even in case of rural lands are never clear, the acquisition authority notifies, in the gazette, its intention together with the extent of area to be acquired, for the information to the owners of the said property. The real owners may not necessarily come to know of this press notification. Also there is a probability that some of them may not have got the mutation entries made in the record of proprietary rights. In such an eventuality the compensation is taken away either by those who may have actually sold their lands but are shown still as owners in the revenue records or it may remain lying in the Government treasury as unclaimed. Actual owner may come to know of this acquisition only when the physical possession of property is taken from him under the court orders.

Again, even after acquisition of land, it is not possible for the individuals to find out from any agency if a particular holding has been acquired or is still with its former owner. This lacunae helps the hitherto but conceit owners to sell it even after its acquisition and deceive the intending buyers of such lands. Such type of fictitious sales have often come to the notice of public in Delhi. After the acquisition of their lands by Delhi Development Authority, the former land-lords, in connivance with some brokers or colonisers, parcel out land in small residential plots and sell them to the prospective house-builders, who construct their houses on them unauthorisedly and have to face ultimately not only the demolition of their properties by D.D.A. but also surrender of their property rights to it without any compensation. Much of the unauthorised construction in D.D.A's acquired land in Delhi is owing to this type of institutional lacunae.

In the case of lease-hold property the system is somewhat sound as the lessee cannot sell the property without the prior permission of the lessor which is normally a public organisation. But even in such cases also neither the lessor nor the lessee is under any obligation to report the fact of lease or re-lease to the municipal authority leaving the latter to search the lessee for its taxation purposes.

The problem becomes somewhat cumbersome if there are more than one

such authorities dealing with land management and having their ownership rights. In Delhi, Government of India (Ministry of Works and Housing, Land and Development Office), Delhi Administration, Delhi Development Authority, Delhi Municipal Corporation, New Delhi Municipal Committee, Cantonment Board, etc., are examples who have their own set of rules and regulations to administer their properties and it is not always easy for the purchaser to get the titles easily verified. Similarly, in other metropolitan cities/urban agglomerations also alike multiplicity of agencies having ownership rights in estate and managing it through the lease mechanism is a common phenomenon. But this problem may not be so acute in cities and towns with a single agency managing urban land affairs and verification of titles becomes somewhat easier.

CONCENTRATION OF PROPERTY

Purchase of real estate is a lucrative source of income to some of the individuals/families who try to hold many such properties in various pockets of the some settlement either for their social prestige or to make profits out of them. The concentration of property in a few hands has led to its maldistribution and social inequity. There is a concern now, though of late, for its equitable distribution and as a consequence imposition of ceilings on urban property. For its effective implementation, the basic information regarding the extent of property held by an individual or a family is a *sine-qua-non*. Who can give this information in the absence of any land record maintenance agency? Under the existing circumstances, it may somehow be possible after lot of direct and indirect efforts to find out who holds a particular property but the knowledge of a person or a family holding how much of a property in an urban area is a difficult task if not impossible. This is a serious lacunae for the effective implementation of any scheme on ceilings of urban property or other alike redistributive reforms.

It is evident from the above that the non-existence of any agency responsible for urban land and property records not only by use and titles but by individuals/families is responsible for many existing socio-economic and administrative maladies and brooks no delay in finding out its solution.

AGENCY FOR URBAN LAND RECORDS

Obviously enough, there is a strong case for the creation of an agency responsible for urban land record maintenance in all the urban areas. Such an agency can be placed under the supervision of a local authority in case there is only one such authority in that area or it can be a specially created agency under a statute—if there are more than one local bodies in an urban area like metropolitan cities/urban agglomerations, etc., whose sole function should be to keep record of proprietary rights of each and every piece of urban land/

property by its use and title as well as by individuals/families, etc., so that it may account for as to how much land/property is held by an individual/family in any urban area.

At the initial stages of the setting up of such agencies there will be a colossal job to be handled by them. To streamline their functioning the following suggestions are made:

- (a) At the time of initiation of such an agency it should be made obligatory on the part of every owner of property to file his claim to this effect with this agency and satisfy it with documentary evidence about his claim of ownership irrespective of whether he is holding it on free-hold or lease-hold basis.
- (b) In the case of succession of such a property, it should be obligatory on the part of every successor to file their claim with this agency and have the property transferred in his/their name and have a certificate to this effect obtained from it. Only such a certificate should be considered as a valid proof of his title to the property.
- (c) In the case of a purchase/sale or transfer of such a property, it should be made obligatory for the Registrar with whom the deed is executed to send a copy of every such deed to this agency for carrying out necessary entries in their record and issue a certificate to this effect to the new purchaser through the Registrar. Without obtaining this certificate the legal procedure of registration of such deeds should not be deemed to be considered as complete and the Registrar should be made responsible for getting this certificate issued to the purchaser.
- (d) It should also be made incumbent for the Registrar to have, of his own, the title of property verified from such an agency before registering any sale/transfer deed.
- (e) The Registrar, while registering the deed, should take back title papers from the seller if the sale of the property is to its full extent. If it is being partly disposed off, then this fact should be entered on owner's title deed so that he may not be able to deceive the purchaser of the left-over property.
- (f) After acquisition of the real estates, the acquiring public authority should immediately get the area acquired mutated in its favour with this agency so as to lessen the chances of public being deceived because of fictitious sales.
- (g) Such an agency should keep the record of proprietary rights not only by piece of land/property and its use but also by its owners—individuals, families, etc., also in an urban area so that it may at once be found out as to how much extent of land/property is held by any one.

The creation of such an agency which may be called as 'Urban Land Record Maintenance Agency' will be helpful not only to the

various land users, and the prospective buyers but also to the Governmental agencies at the central level to assess income tax, wealth tax, gift tax, estate duty, etc., state level authorities to realise taxes on immovable property, stamp duty, etc.; administrative authorities responsible for implementation of various socio-economic reforms; and the local level authorities like municipal authorities, town planning and development authorities responsible for property taxes, land-use and urban development planning, large scale acquisition, development and disposal operations of land, etc.

LAND RECORD AGENCY FOR RURAL SETTLEMENTS

As pointed out earlier, this deficiency is felt not only in urban settlements but also in rural settlements. The revenue authorities maintain record only for agricultural lands and not for the area practically used for village habitats. Since record maintenance for such areas is also being considered essential for various socio-economic reforms for the village poor who is without a house-site, it is suggested that suitable agencies, almost on the pattern outlined above, for rural habitats should also be set up at the Block level under the supervision of Block Development Officers.

Again, the record maintenance procedure of the revenue authorities also needs streamlining so as to obviate inordinate delays and difficulties faced by the landlords in getting the entries mutated in their favour. In this respect some in-built mechanism is considered essential whereunder the revenue authorities be made responsible, within a fixed time from either sale or succession to give mutation certificate to the transferee of agricultural land. The practice of transferee chasing the Patwari/Lekhpal has to be reversed.

PROBLEMS OF IMPLEMENTATION

The scheme of land record maintenance as envisaged cannot succeed without the active cooperations and participation of property owners. But why should they feel attracted to report faithfully to this authority? Their experience with the existing system is not encouraging as numerous agencies are wrought with administrative inefficiencies and corrupt practices at various levels resulting in unnecessary harassment. So often the property owners are viewed as culprits and not the participants in the system.

Thus in order to seek their cooperation and active participation in land management, the existing system may have to be reorganised and the reporting procedures streamlined. The problem may also have to be tackled with the educational, fiscal and punitives measures.

Educational Measures

The foremost problem and, in many ways, the most intractable of all is the

education of the people in matters relating to property records so that they become convinced that it is something which is in their own interests and in the interest of their successors to care for. Once the barriers of ignorance on this subject are eliminated, unconcern for property reporting will automatically go. But so long as this barrier remains, nothing else will very much succeed. The education of people has its own merits in terms of dissemination of research results in the field, training of technicians, record keepers as well as the development and use of effective media for communicating ideas.

Fiscal Measures

Some inducements and fiscal incentives may also have to be given to the property owners for faithful reporting in the form of technical assistance, cost sharing of reporting, provision of developmental services tagged to it, incentive payments, credit facilities, differential taxes, etc.

Punitive Measures

The above two measures, viz., educational and fiscal, represent the exercise of government spending power to encourage voluntary participation of the property owners. However, these measures may have to be supplemented by the legal, punitive and regulatory measures in order to force the non-cooperative people to associate with the land record maintenance programme.

Above all, for the reporting system to succeed it is essential that the agency charged with this responsibility should view the property owners not as culprits or clients but as equally responsible participants of the system as a whole.

CONCLUSION

The reforms in the land management system, as outlined above, if carried out, are bound to go a long way in checking concentration of property in the hands of a few, curbing speculation in land values, carrying out various socio-economic reforms like provision of house-sites to the houseless families, ceilings on urban property, reduction of difficulties caused to the prospective buyers of real estate and those faced by the public authorities while acquiring the land and above all, to the various Governmental agencies at the national, state and local levels in administration and speedy realisation of taxes.



Planning for Housing and Community Facilities for the Urban Poor—Case Study of a Delhi Neighbourhood

K.V. SUNDARAM

THE present study has been undertaken with a view to contributing some insights toward the problem of formulation of standards for housing and community facilities for traditional societies. In this paper an attempt has been made to show that in the study of planning standards, a social perspective is bound to be rewarding. Commendable efforts do not appear to have been made to study planning standards from the point of view of customs and habits of people and from 'their perspective', in particular. Our analytical understanding of the physical grouping and the patterning of communities at micro-level does not yet appear to have progressed much. It is in this context that a perspective of social structure seems to be more promising of yielding a comprehensive grasp of the physical pattern.

The data base presented in the analysis is based on a study of 54 households in a typical old Delhi neighbourhood. This study was conducted during June-July 1975. The choice of the locality for this study was guided mainly by two considerations: (a) being age-old 'traditional neighbourhood', where there has been little influence by 'incoming' and 'outgoing' of people, the existing neighbourhood being a product of evolution and having been influenced by the kind of customs and habits which characterise the people, and (b) provides a typical illustration of a locality, where orthodox planning standards would seem to be hopelessly out of tune with the realities of the existing pattern.

STUDY AREA

The area chosen for the household survey is called 'Kundewalan', located in the walled city of old Delhi and in the proximity to one of its four historic gates—The Ajmere Gate. When Old Delhi—the City of Shahjahanabad—was

* Courtesy: Social Scientists Association, Town and Country Planning Organisation, New Delhi.

built in the 17th century, it was a planned locality. Probably it remained so till the first half of the nineteenth century. Since then, the area started attracting people from outside who found jobs in the industries and commerce located in the city. With the shifting of the capital from Calcutta to Delhi by the British, there was increased infiltration by outsiders leading to congestion and infilling of the open spaces by intensive construction of buildings mainly for commercial and residential purposes. Since then, the locality has acquired its present physical pattern. Presently the locality is traversed by narrow lanes and alleys which are flanked by generally old type houses with 'barsatis'. Every inch of the land has been used for construction.

PHYSICAL PATTERN

The locality is served broadly by three types of 'streets'. The main street is the one connecting the historic Ajmere Gate with the central business area in Chandni Chowk. Although this street is 10 to 15 feet in width and of zig-zag alignment, it serves as a feeder to this area facilitating movement of goods to and from the area. The next type of street is relatively narrower ranging between 6 to 10 feet in width, joining the feeders laterally. The alignment of the road seems to have been an afterthought following the construction of the buildings. These lanes at irregular distances ranging between 200 to 300 feet stagger by 15 to 25 feet, leaving at such points a paved 'open space' in square to rectangular size measuring 500 to 1500 sq. ft. in area. Sometimes cars move on these streets with caution.

The third type of the street system is represented by the 'cul-de-sacs' with dead ends. Their function is purely to give access to a number of doors; and these 'gullies' end at one of the doors of residences and are 5 to 7 feet in width.

The latter two types of streets are the more common which serve the locality and are paved with cement and are 'all-weather surfaced'. The locality is characterised by old buildings, most of which with more than one storey, and along narrow gulleys. These streets and lanes of varying widths were said to have been designed primarily for pedestrian movement.

The circulation system seems to have been originally conceived mostly for a slow and leisurely pace of life, however, leaving adequate open space in the area; but time and scale of activities have changed this layout beyond recognition.

Housing Conditions

More than 90 per cent of the residential buildings in the area are two-storeyed and a few 'Katras' have on the roofs of the first floor some 'bustis'. The age of the buildings vary from 40 to more than hundred years, and yet, the condition of many of the buildings is structurally fairly sound. The main

construction material used in the buildings consists of bricks, mud and lime. In some of the houses, the floors are recently relaid with mosaic and cement.

'Katra' is a typical feature in the building landscape of the area. It may be regarded as a 'composite house', in which a large number of households are grouped around a quadrangle of a square or rectangular shape having only one gate. A large number of households, numbering as many as 16 to 25, face the small courtyard in the centre which has an area ranging between 300 to 1500 feet (from $20' \times 15'$ to $50' \times 30'$). The households are invariably single-roomed; and are not complete units functioning independent of others. Separate kitchen is non-existent and most of them have their improvised kitchens either in the verandah or in the courtyard and open to the sky. Bathroom and latrine are common. The 'Kstras' are usually highly congested. Three 'Kstras' in the area surveyed present slum-like conditions; in one of the households, in a passage measuring roughly 40 sq. ft., a family of five including two adults live. Actually, the 'Kstras' have added substantially to the high density of the old city. There is hardly any scope for construction of any additional rooms. The residents in the 'Kstras' belong to very low income groups and pay rents varying between Rs 3 to Rs 15 per month. The structural condition of the 'Kstras' is dilapidated, though the floors of some of the households are renovated. The 'Kstras' have common water-closet and a water tap. Our analysis of the social structure of the resident communities in the 'Kstras' revealed a very high degree of social cohesion among the families living in them. Such social cohesion has emerged from some fundamental social basis, such as kinship, homogeneity in place of origin, caste, as well as occupations and incomes. The people here live in a compact manner using several spaces in common and retaining togetherness in several aspects of life and living. Within a 'Katra', the focus of life is towards the courtyard. Blank walls face the street. Rooms are for storage, occasional privacy and to retire to on cold and wet nights.

The general structural condition of the households surveyed is good: out of 54, as many as 46 or 85 per cent of the households are having 'fairly sound' structural conditions in respect of their roofs and floors; 7 are having mosaic flooring including one with concrete flooring. The walls are of brick and lime or brick and cement. The roofs are mostly of red stone slabs or sand stone slabs. A few houses of relatively recent construction have 'Madras terrace' or Reinforced Cement Concrete.

Majority of the houses have open spaces in the form of either covered verandah, covered balcony or courtyard open to the sky, though the extent of such open space is inadequate. Out of the 54 households surveyed, as many as 49 have open spaces inside them. The open space ranges from as small as 40 sq. ft. in the covered type to about 1500 sq. ft. in the form of open common courtyards of 'Kstras'. Most of the 'open spaces' are shared by more than two families. There is no private open space as there are no detached houses in the area surveyed.

Size of the Households

The floor area of the households ranges from 50 to 1500 sq. ft. More than 50 per cent of the households have floor area of less than 200 sq. ft. and most of the households have more than five persons. The various sizes of floor areas and the number of households in each size group is as follows:

<i>Floor area (sq. ft.)</i>	<i>Households</i>	
	<i>Number</i>	<i>Percentage</i>
Below 100	14	25.9
100—149	7	13.0
150—199	11	20.4
200—249	3	5.6
250—299	6	11.1
300—349	4	7.4
350—399	1	1.8
400—499	2	3.7
500—999	4	7.4
1000 and above	2	3.7
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Total	54	100.0
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Occupancy Rate

An analysis of the per capita floor area reveals that 55 per cent of the households have less than 30 sq. ft. per person. Only six or 11 per cent of the sample households have more than 100 sq. ft. area available per person. The distribution of the sample households surveyed according to the per capita floor area is as given below:

<i>Per capita floor area (sq. ft.)</i>	<i>Households</i>	
	<i>Number</i>	<i>Percentage</i>
Below 30	30	55.5
30—39	2	3.7
40—59	14	26.0
60—99	2	3.7
100 and above	6	11.1
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Total	54	100.0
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Another indicator to reflect the degree of congestion is the number of habitable rooms available per household. The lack of adequate housing becomes evident from the fact that out of 54 households, as many as 30 have only one habitable room in their houses; of the rest, 14 are with two habitable rooms and 10 with more than two rooms.

The occupancy rate in the surveyed households works out to be 45 sq. ft. per head on an average. Among the 14 households which have two habitable rooms each, 7 are having an average occupancy of 4 persons per room, 5 an average of 3 persons per habitable room, and only two households have an average occupancy of less than 3 persons. In one case, the occupancy rate is as high as 18 persons per habitable room of 250 sq. ft. area; and in another case it is 10 persons per habitable room of only 80 sq. ft., which means that it is hardly possible to accommodate all the 10 lying. This latter household is the most congested among our 'samples', its next nearest neighbour with 12 sq. ft. per person betters the congestion rate by 50 per cent. This fantastic high concentration of population in small pockets is primarily due to the low income levels and hence the low rent paying capacity of the people.

Income Distribution in the Neighbourhood

The income of the inhabitants in the locality varies over a wide range from less than Rs. 200 to more than Rs. 1500 per month. People hailing originally from different areas and belonging to different communities are living here. The locality may, therefore, be considered as an area of 'mixed' incomes and communities.

In the 54 households, there are 76 working persons. About 8 per cent of the 'working persons' belong to lower income category of less than Rs 200 a month and two persons or 2.6 per cent get more than 1,000 rupees a month; of the two in the latter category one is a government servant and the other is working in a private firm. The distribution pattern of income given below reveals that nearly three-fourth of the working persons belong to the income range Rs. 200-600:

<i>Income Group</i>	<i>Number of persons</i>	<i>Per cent</i>
Below Rs. 200	6	7.9
200-399	26	34.2
400-599	29	38.2
600-999	13	17.1
1000-1499	1	1.3
1500 and above	1	1.3
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Total	76	100.0

Types of Family

Of the 54 households, only 16 or 30 per cent are joint-family households. The size of the joint families ranges from 5 to 18 persons. In the case of nuclear families the size varies from 3 to 11 persons. The average size of a joint family works out to be 8 and that of the nuclear family between 5 and 6. Our enquiries revealed that formerly the joint family system was the most prevalent characteristic of this area. These former joint families have become today smaller nuclear household most of which are also living in the same area. There are also cases of 'fissioned families' living as separate households (separate as regards property, kitchen, income and budget), but having some 'jointness' in several aspects of living. Owing to several constraints, we could not investigate whether the inter-household obligations in these cases operate with the same social intensity as obtaining among households of a composite house like 'Katra'.

Community Facilities

The locality is well-served by all types of facilities. Being located in the business centre, and surrounded by shops of all kinds, the inhabitants of the area do not find any difficulty with regard to marketing facilities. Provisions, vegetables, milk and other daily requirements are available to every household within walking distance.

The locality is also well-served by educational, medical, transport, postal and other facilities. These facilities either exist within the locality or they are available to the households within easy access *i.e.*, at distances ranging between one-fourth of a mile and one mile. The existence of a fully equipped modern hospital—The Irwin Hospital with facilities for both indoor and outdoor patient treatment within walking distance, as well as, a degree college—Delhi College located in the periphery of this locality, may be mentioned as examples of even advanced facilities being available within easy reach. In fact, the existence of and easy access to marketing and other community facilities in the area is one of the factors which has retained its 'attractiveness' to many of the inhabitants of the area.

Drainage and Sewerage Facilities

The locality is served by underground drainage and sewerage system. Being on slightly elevated ground, the drainage system in the area generally seems to be fair. In spite of this, one finds pool of stagnant water and foul smell in many parts of the locality. This is because many of the houses are not directly connected to the drains. The houses not connected by sewerage are perhaps parts of previous joint-family households. The dirty water from such houses flow into the open nallahs running on both sides of the streets. The open nallahs are, however, connected to the drains.

The existence of foul smell and dirty stagnant water is a general sight. Out

of the 54 sample households surveyed, 41 complained about these environmental hazards.

Amenities in Houses

The housing condition of the locality can also be inferred from the extent of availability of certain amenities like bathroom, lavatory, kitchen, etc. In the sample of 54 households, only 12 households had such separate amenities of life as bathroom, lavatory and kitchen. We can, therefore, conclude that 'complete house' for one household seems to be a rare phenomenon in the locality. The survey also revealed that the families living in 'complete houses' either owned such buildings or were cases of rent-payers who belonged to higher income groups. Among the 12 households living in separate houses, 5 are 'Owner occupied' and among the 7 rent-payers, 6 belonged to income group Rs. 600-1000 with a lone exception in the income group of Rs. 400-600.

Environmental Conditions

Bathrooms: Of the 54 sample households surveyed, only 18 have separate bathrooms, another 18 households have common bathroom and the rest 18 have been found to be bathing in courtyards or frontyards.

Toilet: Only 15 households have separate lavatories and in the rest of the houses, the lavatory is shared by many families—a condition generally found in 'Bustis'. But it is interesting to note that 'Busti' conditions are also found in the solid concrete structures of such localities in a big way in the walled city of Delhi.

Kitchen: It is also reported that many families in the locality do not have separate kitchen for cooking. Of the 54 sample households, only 25 have separate kitchens and the rest were cooking either in living rooms or in open space such as courtyard, frontyard, verandah, etc. It may be pointed out here that the kitchens existing in the houses of the locality are not provided with chimneys. In our sample, 25 households have separate kitchens but none of them are provided with chimneys.

The provision of chimneys in the kitchens is of great importance in the locality because majority of the households use 'traditional' fuel, such as firewood, coal and kerosene for cooking. Among the 54 households, only 11 are using modern fuel such as gas and electricity.

Water Tap: The inhabitants of the locality do not face any water shortage, except in summer when water pressure is low and it does not reach upper floors easily. Though water supply as a whole is satisfactory, the situation is slightly disturbing when we consider the availability of water taps in relation to the number of households. In our sample, 24 households have separate water taps for their families and rest of them share with others.

And in Katras especially, many families, sometimes, more than 15 of them share one water tap.

Electricity: Only one household was found to have no electricity: otherwise all households are electrified.

Ventilation: Many of the houses in the locality have open spaces inside. But in spite of this, we find that the rooms are not airy. This is because most of the houses do not have windows in every room. In such houses only the doors serve as windows. Further, many of the houses do not have cross-ventilation, thereby making them suffocating. The juxtaposition of the tall buildings render 'draft' difficult. In one of the 'big' houses surveyed, there was absolutely no opening for ventilation except the door for access and there was absolutely no natural light. This residential unit has a depth of 40 feet and narrow with 10 feet width. Among the 54 sample households, only 13 reported that they had windows in every room of the house; and in case of 11 other households ventilation was adequate.

Functional spaces within the house: The locality being mainly inhabited by people belonging to the low income groups who live mostly in single rooms, the availability of separate rooms for different functions is ruled out. However, in each household separate functional spaces can be identified. This point cannot be adequately appreciated unless we understand the ways of living of the people and the social cohesion that exists among the families. For instance, in almost all the dwelling units surveyed, the non-built-up area around the built-up part of the dwelling is put to numerous kinds of homely uses which a built-up portion is usually expected to serve, and in such cases, the built-up portion is used mostly for purposes of storage. Among the 54 households surveyed, only 9 households had separate bed rooms. Only one household was reported as having a separate dining room. There was no instance of any house having a separate study room. The majority of the houses do not have separate store rooms. Among the 54 households, only 2 are having separate store rooms in their houses. In the sample, as many as 29 houses are provided with almirahs in the rooms.

Open space: The locality has no large public space. Of the 54 houses, we find that 49 households have small open spaces in the dwellings in the form of either frontyard, courtyard, backyard or sideyard. In fact, many of these households do not have open spaces exclusively for themselves but share with other families.

The existence of such 'open spaces' inside the houses has enabled the households to sleep with less congestion in summer. The open spaces are not only used for sleeping and sitting but also for cooking, drying of clothes, bathing, and washing of utensils.

Method of disposal of refuse: The households in the locality do not throw refuse in the street, but put them in the common dustbin kept on the lanes and they are periodically cleaned by the sweepers.

The dirty water from the houses either flow directly into the drains or into open nallahs which ultimately meet the drains.

Duration of Residence in the Locality

Most of the households in the locality are residents in the same area for a very long time. We rarely came across a new or a fairly recent household in the area. Of the 54 households, 40 households had been living in the area for more than 25 years. Some of them have been living for even 60 years and more. For many of these families, cultural change—including a considerable degree of socio-economic mobility has taken place in the same location. The modern concept of housing and planning standards would have us believe that as people change their status and needs, they would tend to move to better classes of dwellings and neighbourhoods. But such a thing did not happen here. Evidently this assumption implied in the orthodox urban building and planning standards does not seem to be borne out in respect of this traditional neighbourhood.

Owners and Rent-payers

The inhabitants of the locality are mainly rent-payers. Of the 54 households, 38 are rent-payers and only 16 are owners of the houses they are living in. The average rent per room paid by the households ranges from as low as Rs 3 to as high as Rs 50.

Attitude Towards Congestion in the House

With an average occupancy rate of 45 sq. ft. per head and more than 3 persons per habitable room, Kundewalan is certainly a congested neighbourhood. Out of the 54 sample households, only 33 consider their dwellings as overcrowded. All these households realise the need to have additional space. Among the 21 households who have reported that their dwellings are not congested, 5 households are found to be having more than 3 persons per habitable room. The attitude of the households towards congestion can be said to depend on the level of literacy of the households, his income, his length of residence and place of work. Thus, out of the 5 households who have reported that their dwellings are not overcrowded, 3 are found to have been living in their dwellings for more than 40 years, and thereby they have developed some attachment to the dwelling and to the locality.

It may, however, be noted that majority of the people living in overcrowded rooms do feel the congestion. For a large number of residents, the desire to acquire additional space does seem to exist, but their economic conditions prevent them from fulfilling their desires. At the same time, it must be noted that whatever congestion is there, loses its health significance in the context

of the outdoor life and occupation of the working men, women and children.

Attitude Towards Shifting

With regard to the attitude towards shifting from the locality, it was found that there is mixed response. Of the 54 sample households, only 30 households have expressed their desire to shift from the locality, mainly because of the existence of unhealthy and congested atmosphere in the locality. Their economic conditions, however, prevent them from leaving the area. Though they desire to change the locality, the high rent prevailing outside dissuade them from shifting.

There are 24 households who are not at all interested in leaving the locality. Their opinion about the locality is that it is well served by various facilities and, therefore, they are not interested in shifting. Many of these households have been living in the area for very long and, therefore, they are hesitant to leave the locality. Majority of the households who are owning their dwellings are reluctant to shift. Among the 54 sample households, 16 are owning their houses and out of these 16 households, only 3 have desired to shift. Some of them had given the impression that they would consider the proposal to shift only if they are given an alternate accommodation without their having to pay anything for the same. Such a response only brings out with force the strong sense of attachment they have developed towards the locality.

Attitude Towards Acquiring Built-up House and Cheap-plot

The households are interested, as is usually the case, in building houses of their own rather than in going for built up houses. Of the 54 sample households, it is seen that 40 households prefer cheap plots and building their own houses rather than going for built-up houses. When a plot is there, they can put up their own structure within their preferred scale of expenditure. They also desired that they should be provided with subsidies, loans and other concessions and incentives to enable them to build. Majority of the people interviewed expressed preference to build two-roomed houses, with a kitchen, if possible. They were also prepared to share other amenities with others.

Emerging Conclusions and their Implication for Formulating Housing and Environmental Standards

The area of study represents a traditional, long established and high density neighbourhood, inhabited by mixed income groups, with the urban poor, however, constituting the majority. Nevertheless, the houses in the locality are solidly built. Though old, they are still structurally sound. The 'Katras' constitute a special feature and represent the real dense and slummy portion of the neighbourhood. In terms of stage of development, it represents

a 'petrified neighbourhood' and hence falls only in the category of a 'deteriorating neighbourhood' in terms of development trend. The present inadequacies in environmental standards, as have been brought out in the Survey (e.g., toilet facilities, drains and water taps) are due to overcrowding and congestion and lack of public open spaces and not due to lack of other community facilities in the area such as educational, medical and marketing facilities. However, there is no extra land, either in this or immediate neighbourhood, which can absorb some population from this area and reduce the present congestion. Also it consists of people mostly with very low incomes who can ill-afford to shift or to build elsewhere on their own. Thus it represents a static, traditional, down-town neighbourhood, holding out no hopes or expectations of transforming itself into a better neighbourhood through self-improvement techniques. As is well known, the problems in re-development of such areas entail challenging tasks of relocation (including overcoming attitudinal barriers to some extent) and of rehabilitation (including devising low-cost housing for the community).

The densities in the neighbourhood are very high, in extreme instances reaching as high as 10 persons per habitable room of size only 80 sq. ft. A majority of the households have a per capita floor area of less than 30 sq. ft. The building bye-laws of Delhi prescribe a minimum plot size of 80 sq. yd. (720 sq. ft.) for low income group and slum clearance schemes. In the case of squatter resettlement colonies, this minimum has been specially relaxed to 25 sq. yds. (225 sq. ft.). A Committee¹ which recently went into the question of minimum standards for low cost housing areas has recommended a minimum floor area of 188 sq. ft. for group housing and 330 sq. ft. for open development of plots. All these facts are intended to provide a frame of reference and to indicate the gap existing between 'reality' and 'standards'.

Redevelopment of an old, 'petrified' neighbourhood of this kind always poses serious problems. The Master Plan of Delhi has advocated the adoption of a cautious 'conservative surgery' technique rather than total redevelopment for this area. In this context, it is the high density portions of the neighbourhood that would come in for priority attention. According to our survey, it is this part which is inhabited by very low income groups who can neither afford to pay higher rents and shift to other localities nor have adequate resources to build houses on their own. The survey of attitudes reveals that they are conscious of the congestion and overcrowding in their neighbourhood as well as the inadequacies in toilet facilities, drains and water taps and are willing to shift. They have also expressed their preference for building modest homes according to their preferred scale of expenditure and would like to have subsidies, loans, concessions and other incentives to be provided to them.


¹Report of the Committee for Slum Clearance Improvement Scheme and the Scheme for Environmental Improvement in Slum Areas, Government of India, Ministry of Works & Housing, New Delhi, May 1975.

They do not, however, like to be displaced too far from their present site which is near their work-place, nor totally uprooted from the present 'social setting'. It is apparent from their replies that they want to carry the 'social neighbourhood' with them, if and when they shift. Thus from the attitudinal preference of the community as well as from an assessment of the means available to them, it would appear that a 'flexible homesteading approach' is to be preferred in their context rather than a 'public housing approach'. The former would mean adopting a programme of 'sites and services', *i.e.*, provision of open developed plots and encouraging 'progressive' development. While giving effect to such programme, the social insights derived from our perception of the neighbourhood are to be meaningfully incorporated into the proposed design.

Some points which we might keep in view in this context may be mentioned. The size of the building plots may be kept flexible to accommodate the needs of joint and nuclear families. In this context, it may also be noted that most of the families have expressed preference for two-roomed houses. The psychological image of the families studied demands closeness and sharing of common areas. Our survey reveals that their home life is not very sharply distinguished from neighbourhood life. In the grouping of houses (*i.e.*, their positioning in relation to neighbouring ones), the present pattern existing in the neighbourhood which has favoured a considerable degree of social interaction may be preserved. Keeping these facts in mind, several house plots may be patterned around and facing into one common open space. This would evoke the people's image of the house and imitate the pattern of the 'composite house' to which the inhabitants were accustomed to. It will also enable the provision of certain common services, *e.g.*, water taps, bath rooms and toilet facilities in sites functionally convenient to the community. Taking into consideration the ways of living of the people who put the non-built up area around the dwelling to numerous kinds of homely uses, adequate open spaces have to be provided around the house. Further built into the layout pattern should be a certain 'flexibility', conferring some potentiality to the house to grow bigger or to shrink as determined by several factors including the nature of housing needs of the households concerned. The Indian house has to be conceived both in space and time. It is conceived as "belonging to the dead, the living and the future descendents who are to inhabit it". Above all, the provision of adequate community facilities—for marketing, education, health, etc., within easy access to the neighbourhood must receive priority attention. In fact, they should precede rather than follow housing. As we noticed from the Survey, the partial reluctance of the families to shift to any new location stemmed primarily from the fact that they were afraid that they may not have in their new location access to the same kind of community facilities which were existing in their present neighbourhood. In fact overcrowding, congestion and privation in certain amenities (*e.g.*, toilet facilities, water taps, etc.) were the price they were

willingly prepared to pay for enjoying such excellent community facilities in their present neighbourhood. This point cannot be ignored.

What emerges from the foregoing discussion is a concept of residential setting rather than of dwelling unit or house. In the context in which we are referring, the house is more than a built-up space or structure. In prescribing standards for housing and community facilities, therefore, a deep understanding of the situation being surveyed and planned is called for. Otherwise, our prescription is bound to be ill-devised and often quite irrelevant to the problems that really exist. This would result in architectural determinism in planning. In the many public housing experiments that have been made in the country, adequate attention has not been paid to the social aspects of housing with the result that we find a huge gap between the need as felt by the inhabitants (the felt need) and the need as planners have seen it (the perceived need).



*Changing Structure of Delhi's Walled City : Problems and Prospects**

GANGADHAR JHA

THE Walled City of Shahjahanabad has reached the most critical stage of its history after a complex process of more than 300 years. The city which was originally built as a compact residential place has been invaded by trade and commerce through long years of its growth. Commercial activities are ubiquitous in almost every street and by-lanes of the city thriving along with other land-uses. The conflict of land-use has further exacerbated with growth. This has obliterated the internal structure of the city and has made this city of 17th century anachronistic as a wholesome place for living in view of the modern concepts and norms of urban environment. The pressures and pains of the people of the city have been repeatedly enumerated. The chaos and confusion of the life in this city become obvious even to a casual visitor. It seems rather paradoxical that in spite of this walled city continues to be an area of strong preference for residence and commercial activity.

It is the objective of this paper to study and analyse the changing structure of this historic old city under the theoretical framework of form and structure of cities. It is felt that such a framework will be immensely useful in understanding the forces and elements which have changed the residential character of the city. To what extent the process of growth and decay of Shahjahanabad conforms with the theoretical model constructs? What are the deviations, if any, from the models of city structure? These important questions are dealt with in Part I of the paper. Part II makes some suggestions to redeem the city from further decay and to provide a fairly good environment to live in.

It must be said at the outset that such an attempt essentially requires empirical evidences to substantiate the analytical frame of the theoretical constructs. Unfortunately, sufficient data and information on location, arrangement, and interrelationships among the social, economic and physical elements over the years which go to determine the internal structure of the city are not available. The analysis, therefore, proceeds on the basis of whatever information could be gathered from the available sources.

* Courtesy : Social Scientists Association, Town and Country Planning Organisation, New Delhi.

I

Various theories of the process of urban growth, form and structure of cities tell us that the city is a living organism. Like living being, it grows out of its infancy, acquires youth and vigour and as the years roll by, the city decays. The decline is brought about by a 'selective migration' from the densely settled and obsolete older centres—the 'zone of discard'—of a large urban area to the periphery—a 'zone of assimilation'. The shifts are economic, social as well as geographic. Initially the movement is composed of relatively well-to-do sections of the community like traders, professional men, prosperous artisans and white collar workers leaving behind the low income, low skilled people. "Suburbs and satellites boom, some fringe areas are bypassed, blight produces gray areas around most of the closer-in parts of central cities and the downtown declines."¹ This requires large scale physical rehabilitation and redevelopment. This happened in many North American cities, in London, and other English cities, and led to the policy of New and Expanded Towns in England and America.²

The Walled City is the 'densely settled and obsolete older centre' of Delhi. But it is interesting to note that whereas the theoretical framework of the process of city's growth and decline applies only broadly to the growth process of the Walled City, the nature of shifts in the declining stage is not proved in case of this city. Available evidences suggest that, of late, there has come a decline in population; trade and commerce, on the other hand, are found to have increased manifold. Traders, professional men, etc., have continued to remain in the city in spite of encumbrances in carrying on the trades. An analysis of trends in population and economic activities in the Walled City reveals that though the population has declined, the nature and causes of this decline and shifts are rather peculiar in the case of the Walled City which are not explained by these theories.

TRENDS IN POPULATION GROWTH

The Walled City was built in 1648 for a population of 60,000. Its population increased to 3.81 lakhs in 1951 and 4.20 lakhs in 1961.³ There was, thus, 10.22 per cent increase in the decade. The population of the city declined to 4.11 lakhs in 1971. This exhibits a 2.14 per cent decline in its population in the

¹Edward L. Ullman, "The Nature of the City Reconsidered" in William H. Leehy, *et al* (ed.), *Urban Economics: Theory, Development and Planning*, New York, The Free Press, 1970, pp. 3-20. See also Howard J. Nelson, "The Form and Structure of Cities: Urban Growth Patterns" in Larry S. Bourne (ed.), *Internal Structure of the City*, New York, Oxford University Press, 1971, pp. 75-83.

²G. Manners, "Urban Expansion in the U.S.", in William H. Leehy, *op. cit.*, pp. 219-237. See also Greater London Council, *Tomorrow's London—A Background to the Greater London Development*, pp. 25-26.

³Refer Table 1.

last decade. Thus, the declining trend of the central area is confirmed in the case this city also. In the decade 1951-61 the population of urban Delhi increased by 64.17 per cent; the Walled City had only 10.22 per cent growth in the same decade. In the last decade the population of urban Delhi increased by 51.81 per cent; the population, instead of increasing actually declined in the Walled City. This is corroborated by a declining trend in the percentage of total urban Delhi's population living in the city. In 1951, the city had 26.51 per cent of total urban Delhi's population. This was subsequently reduced to 17.95 per cent and 11.35 per cent in 1961 and 1971 respectively.

TABLE 1
VARIATION OF POPULATION IN PLANNING DIVISION 'A' AND
THE WALLED CITY

(Population in lakhs)

Sl. No.	Locality	Population in				
		1951	1961	% variation 1951-61	1971	% variation 1961-71
1.	Planning Div. A.	5.38 (37.37)	6.50 (27.78)	+20.82	6.80 (18.79)	+ 4.62
2.	Walled City	3.81 (70.82)	4.20 (64.62)	+10.24	4.11 (60.44)	— 2.14
3.	Urban Delhi	14.37	23.59	+64.16	36.47	+54.60
4.	% of total urban population in the Walled City	26.51	17.95	—	11.35	—

Note : Figures in the brackets at Sl. No. 1 indicate percentage to total urban population in Planning Division 'A', at Sl. No. 2 percentage to total population of P/D 'A' in the Walled City.

Source: 1951 and 1961 population taken from the Work Studies, Master Plan for Delhi and 1971 figures compiled from Census charges of 1971 Census.

The decline in population may be explained in terms of deterioration in living conditions. Overcrowding and congestion is but one reason for this. The city has an average gross residential density of about 350 persons per acre. It is even 818 persons per acre at certain places. Information about the extent of existing overcrowding is not available. At the time of formulation of the Master Plan about 45 per cent of the households had 6 and more members.

The socio-economic survey relating to the preparation of the plan revealed that approximately two-thirds of the households had only one living room. The average number of persons per living room was found to be 3.5. As many as 62 per cent of the households did not have a kitchen and about 45 per cent of the households were found without a bath room.⁴ The things have further deteriorated. Too much of people over too small a space and deficiencies in amenities and facilities have impelled the persons to abandon the preference for living in the Walled City.

One may draw the inference that the 'movement' of people away from the 'Central Urban Core' has started and that the city would decay. But the decline in population has been accompanied by a reverse process of increase in other activities which has aggravated the problems in the city and has made the solution even more difficult.

INDUSTRIES

Industries have been one of the most important economic activities in changing the structure of the Walled City. A large number of small scale industries are concentrated in areas which used to be the compact residential units. The analysis of trends in the number and type of industries, over the years is handicapped by non-availability of data in time series. Even the recent cross-section data on the number of industrial units, type, location, scale of operations, employment are not available which could give an account of industries in this city. In 1964, however the city had 2920 industrial units of all types.⁵ Out of this 367 were noxious industries, 1270 were of nuisance character and the remaining 1283 were non-nuisance industries. But consequent upon on-the-spot survey, only 166 units out of a total of 367 were actually found to possess noxious characters like fumes, effluents, smokes, odour, dust and smell.

Noxious industries together with nuisance industries which are characterised by too much of noise and vibrations have become major sources of irritants for the residents of this city. Out of the total noxious industries as many as 93 or about 56 per cent were located in residential areas, 62 or about 37 per cent were located in commercial area, 2 in the institutional area and 9 were found located in industrial area.⁶

It is obvious from the foregoing analysis that a large number of industries is located in the city. A good many of them are noxious and nuisance. They

⁴Delhi Development Authority, *Work Studies Relating to the Preparation of the Master Plan for Delhi*, Vol. I, p. 240-41.

⁵D.D.A., *Problem of Nuisance and Noxious Industries: A Survey of Noxious Industries in Delhi*, 1964, pp. 24-26.

⁶*Ibid.*, p. 35.

have adversely affected the environmental condition of the city and are hazardous for the resident population.

TRADE AND COMMERCE

The Walled City has been invaded by commerce. The commercial activities in the Walled City not only cater for the total urban population of Delhi, it is in fact the major commercial centre of both wholesale and retail for the entire northern India. Foodgrain market at Naya Bazar and Khari Baoli, Dry Fruits and Spices at Khari Baoli, Paper trade at Chawri Bazar, Iron and Hardware trade at Chawri Bazar, Ajmeri Gate and Lal Kuan, Clothmarkets of the katras of Chandni Chowk, Motor Parts market in Kashmere Gate and Mori Gate and diversified retail trades spread along the streets of the city are conspicuous in catering for the entire north Indian region. Chawri Bazar is the second largest wholesale trading centre of paper in India. Cloth market located in the katras of Chandni Chowk transacts about one-tenth of total transaction in cloth in the country. It is interesting to note that only one-sixth of the total stock coming to Delhi is actually consumed locally, the rest is diverted to other states of north Indian region. Bhagirath Palace happens to be the biggest electrical market of northern India.⁷ Of the total food grains arriving at Naya Bazar, and Khari Baoli in the Walled City and Rui Ki Mandi in the adjoining Telivara area as much as 80 per cent is forwarded for transaction to the states of north India and only 20 per cent is consumed in Delhi.

Data on the number of wholesale and retail trades, their locations, actual turnover, number of persons depending on trade are hard to come by for an objective analysis of trade and commerce in the Walled City. However, the following figures give an account of the scale of trades inside the perimeter walls of the city.

In 1961, the Walled City had 22,072 of business and commercial units like shops, commercial establishments and restaurants. It more than doubled in 1972 and increased to 54,670. Thus, in about a decade the business and commerce increased by about 147 per cent, which is remarkable indeed.⁸ It provided employment to 62,035 persons in 1960. The employment increased to 1,30,640 in 1972. Chandni Chowk alone had 14,870 shops in 1960.⁹ After ten years the number of shops nearly doubled in Chandni Chowk and increased to 27,038 in 1970. It would be pertinent to recall at this stage that the Walled City lost its population by about 2 per cent in the last decade. The population decline has been accompanied, on the other hand, by about three-fold increase in business and commerce.

⁷*Evening News*, New Delhi, Jan. 24 and 28, 1974.

⁸See Table 2.

⁹N.C.A.E.R., *Techno-Economic Survey of Delhi*, 1973, p. 185.

TABLE 2

GROWTH OF BUSINESS AND COMMERCE IN THE WALLED CITY OF DELHI
1961-72

Sl. No.	Business Types	Delhi			Walled City		
		1961	1972	% growth over 1961	1961	1972	% growth over 1961
1.	Shops	37,323	1,11,163	197.84	13,921 (37.30)	34,801 (31.31)	149.99
2.	Commercial Establishments	12,248	41,047	235.13	7,799 (63.68)	19,074 (46.47)	144.57
3.	Restaurants	1,504	3,229	114.70	352 (23.40)	795 (24.62)	125.85
	Total	51,075	1,55,439	204.33	22,072 (43.21)	54,670 (35.17)	147.69

Note : Figures in the brackets indicate percentage to total trades in Delhi in each type.

Source : Office of the Chief Inspector of Shops, Delhi Administration.

Trades are increasing their number every year. The result has been a slow and gradual penetration of business and commerce deep into the residential lanes. In certain cases big 'havelies' have been turned into godowns and residential houses have been turned into commercial godowns and shops. It sounds logical to infer that the decline in population has resulted also because of this invasion of commerce in the city. Deteriorated physical condition of the city coupled with the spread of commerce and industry have driven some persons away of the city. The traders offer remunerative price for the houses to be used for commercial purposes. Remunerative price and physical condition of the city induce the occupants to move out of the city.

It is particularly this aspect of the city's growth process which does not conform to the trends observed in the growth process of older centres of the cities in America and Europe. There the decline of the central city began with the large scale shifts of both population and economic activities away from the older declining areas. In Walled City there has been a shift of population only. Economic activity has grown and is still growing in the dilapidated structures and utterly congested streets and lanes. The 'zone of discard' is not yet discarded fully and the 'zone of assimilation' has not assimilated the economic activities at all. This is rather a paradox. Preference of the existing traders

to stay on and enlarge the scale of their operations as also the desire of others to start business in the Walled City is mainly because of transport links and the goodwill earned by Chandni Chowk and other commercial centres of the city through years. Predominance of business and commerce and its tremendous increase have made the proposals of the Master Plan rather awry. The cycle market was shifted to Jhandewalan and proper site was earmarked and developed for the same. But a few shops still thrive at the Esplanade Road.

The traders do not seem to be vexed up with the narrow lanes and clogged traffic. Perhaps they still find the elbow-room to expand business. The Walled City does not yet seem to have saturated as a commercial centre for the trades. This may be also because of the concentrated growth of commerce in Delhi at a few places like Chandni Chowk and the neighbourhood, Connaught Place and its extension, and Karol Bagh. In spite of increase in geographic area of urban Delhi the new developments on the peripheries have not been accompanied by commercial development at a scale which could have attracted the clientels away from the existing C.B.Ds. of Delhi. It is characteristic of a metropolitan city that with the spread of urban growth all around, the C.B.D. no longer remains centrally located.¹⁰ This necessitates the development of outlying shopping centres, large factories and employment centres, special entertainment, educational, cultural and recreational centres scattered all over the city. This brings about 'multiple nuclei' in the urban area so that the metropolis is not only one city with only one heart—the C.B.D., but a federation of general and special centres. It acquires several hearts better located than one and will be better off owing to reduction in travel time, congestion and utilisation of better sites.

THE FUTURE

The future of Walled City depends on shifting of industries and development of commercial centres in general and development and shifting of specialised wholesale and retail services in particular in the newly developed areas which would attract the customers away from Chandni Chowk. In that case the supremacy of the Walled City as the hub of commercial activities is bound to decline and shift in population would also be accompanied by shifts in economic activities, of traders and professionals and artisans. If we again give a cursory look at the Table 2 it is evident that the share of Walled City in the total business and commerce of Delhi is on decline in relative term. In 1961, the city had about 43 per cent of commercial units of all types of Delhi. In 1972, it was reduced to about 35 per cent of commercial units of all types of Delhi. However with further deterioration in the structure and form of the Walled City commerce and trade will also decline. But the problem is

¹⁰Edward L. Ullman, *op. cit.*, pp. 15-16.

how to make the city again a place for decent living and how to remove encumbrances of the life of people and trade.

TABLE 3
GROWTH OF EMPLOYMENT IN BUSINESS AND COMMERCE IN THE
WALLED CITY 1961-72

Sl. No.	Business Type	Delhi			Walled City		
		1961	1972	% growth over 1961	1961	1972	% growth over 1961
1.	Shops	67,123	1,72,501	157.00	22,474 (33.48)	41,984 (24.34)	86.81
2.	Commercial	64,251	1,93,054	200.47	38,581 (60.05)	85,736 (44.41)	122.22
3.	Restaurants	6,146	15,340	149.59	980 (15.95)	2,920 (19.16)	197.96
	Total	1,37,520	3,80,895	176.97	62,035 (45.11)	1,30,640 (34.30)	110.59

Note : Figures in the brackets indicate percentage to the total in each type.

Source : Chief Inspector of Shops, Delhi Administration.

II

The Master Plan identified 284 acres, out of a total city area of 1240 acres, qualifying for 'Redevelopment' area which are to be cleared and re-constructed. Another 443 acres was identified as 'Rehabilitation' area requiring limited reconstruction and functional arrangement. The remaining areas were treated as 'conservation' areas which were good areas to be protected from the spread of blight and decay.¹¹ These were identified on the basis of percentage of households having an income less than Rs. 100, percentage of structures in poor condition, percentage of households without water, electricity, latrine, and kitchen, and average number of persons per living room. Thus, as much as 727 acres of the city area involved reconstruction affecting an estimated population of 2.47 lakhs in 1958. The Plan, however, suggested a step-by-step thinning out of population by preparation and

¹¹D.D.A., *Work Studies*, op. cit., pp. 211-215.

implementation of Zonal Development Plans involving minimum dislocation of people and trade and provision of basic amenities as and when necessary space becomes available by way of acquisition of dilapidated structures and those dangerous for living. The Plan proposed for dedensification of the Walled City from 350 persons per acre now to 250.

THE PROSPECTS

Since the advent of the plan, new water and electricity connections, and latrines have been provided in the city under the slum improvement schemes of the Municipal Corporation of Delhi. But these have been on a limited scale and 'improvements' have been off set by increase in overcrowding and spread of commerce and other conflicting land uses into the residential lanes and houses. Sheer physical deterioration has further driven major portion of conservation areas into rehabilitation and rehabilitation into redevelopment. Still larger population is residing in these areas now than the plan estimates of 1958. More crucial questions are, therefore, these: should the Walled City accommodate only business and commerce and a limited residential units or, should it be renewed as a residential city with adequate protection to the existing trades. These are the questions which require careful thinking and forthright decision as they have deeper implications.

To allow the city to be fully commercialised and drive away the residents would not be a wise solution nor it will be possible to relocate the entire existing population. Even if the Master Plan proposals for redensification is adhered to, about 1.11 lakh persons would be surplus. About 400 acres of residential land alone would be required to rehabilitate them according to the prescribed density of 250 persons per acre. This much land is not available in the Mata Sundari area which is proposed to be utilised for rehabilitation. Clearance and redevelopment would require a huge sum. In reconstructing a city what is more important is the number of dwellings constructed, not those demolished as demolition and reconstruction have its own toll. "At first glance, urban renewal would seem to be a most desirable programme, both plausible and appealing. The future is often painted like this: before—dirty, dark, ugly slums; after—clean, bright, beautiful buildings . . . but this picture shows only the hopes and wishes of urban renewal. The realities of its costs and consequences are drastically different."¹²

Long-Term Solutions

The alternative course of action, therefore, should be to provide a fairly good living environment to the residents of the city through a critical minimum effort involving minimum relocation of resident population. Such an effort

¹²Martin Anderson, "The Federal Bulldozer" in James Q. Wilson (ed.), *Urban Renewal: The Record and the Controversy*, p. 493.

should be able to do three things: to put an effective check on the growth of trade and commerce, in some cases even shifting of major wholesale trades to the sites laid down in the Plan; to provide amenities and services which are deficient now; and to provide a smooth traffic pattern through a well devised network of roads. The effort has to be undertaken in three distinct phases.

In the first phase, major wholesale trades like paper market of Chawri Bazar, food grains market of Naya Bazar and Khari Baoli, iron and hardware trade of Chawri Bazar, Ajmeri Gate and Lal Kuan, electric trade of Bhagirath Palace as also noxious, nuisance and other industries presently operating in non-conforming areas required to be strictly shifted to proper sites. This will leave behind enough space to be utilised for the provision of schools, open spaces, tot lots, parking lots, etc. In the second phase, an adequate pattern of road network involving widening of main roads, its feeder roads and the lanes capable of ensuring smooth traffic flow be prepared and notified. Rehabilitation of families and trades has to be restricted to only those properties affected by implementation of this traffic pattern. In the third and the final phase, amenities and services have to be provided on the available space vacated by the shifting of wholesale trades and industries. The existing restriction on reconstruction of dilapidated houses need to be lifted and the owners who do have the resources should be allowed to construct their houses according to new housing standards with proper set-backs designed especially for the Walled City.

It is worth mentioning that in spite of existing freeze on construction, quite a few houses have been completely renovated and reconstructed in the garb of 'repairs and improvements'. Scrapping of restriction would result in reconstruction of large number of houses in the city.

Short-Run Solutions

Even this critical minimum programme can be executed only in the long run. The city requires an immediate abatement of problems of congestion, overcrowding and decay. This requires to adopt certain positive and negative checks as short run solutions. Positive checks include measures to effectively curb the spread of commerce and industry. No commercial activity should be permitted to be set up in the city by taking recourse to provisions under the Delhi Shops and Establishment Act. Though the Municipal Corporation has already stopped granting of licence to start industry in the Walled City, steps should be taken to stop the clandestine operation of industries. As negative checks, all the fast moving vehicles should be prohibited an entry into the city area. This requires to develop adequate parking sites on the outskirts of the Walled City for parking of vehicles and walking down to the city according to the area of visit. Such an arrangement will relieve the city from traffic jams and shoulder-rubbing of pedestrians which are quite frequent. It will also indirectly impel the traders to quit the city by inflating

their cartage bills.

This is the critical minimum effort required to be undertaken for improving the quality of life in this decaying city. Redeeming the city from further decay requires to adopt radical steps. Existing inertia and inertness will drive still larger population away from the city. The invasion of non-conforming uses has to be stopped forthwith and those concentrated in large numbers at places should be shifted and thinned out in a way that does not result in too much of dislocation. This calls for an integrated redevelopment of the Walled City with the overall planning and development of metropolitan Delhi. Development of commercial, industrial centres and residential colonies in Delhi has to be in proper relation to the programme for decommercialisation, shifting of noxious and nuisance industries and relocation of affected residents of the Walled City. Present planning for 'new growth' on peripheries of Delhi without integrating redevelopment of congested localities of Old Delhi has to be reviewed. No meaningful plan can be conceived for balanced growth of the city by ignoring redevelopment of the Walled City and for that matter, the whole of Old Delhi.

To sum up, the internal structure of Shahjahanabad has undergone tremendous changes over a number of years. The city has started exhibiting a declining trend in its population. But the decline in population has not yet been accompanied by shifts in economic activities. They have increased manifold. As things exist now, future of the city has only preponderance of trade and commerce. Business and commerce is expected to choke the city further and drive still larger population away from the city. In the wake of these developments, socio-economic character of the city has undergone massive changes giving rise to new needs for social and service infrastructures—hitherto not available and provided for. There is an urgent need to rework current programmes and priorities for the redevelopment of Shahjahanabad and also to take steps to redeem it from further decay.



*Life Style of Low-Income Rural Migrants in Metropolitan Delhi : A Micro Case Study**

J. MEHTA

LOW income rural migration to metropolitan centres in India has become an important aspect of urban development. Socio-economic changes that have occurred in India in response to planned sectoral investment over the last twenty five years are showing their bad as well as good impact on the micro-life in various parts. One concentrated and visible aspect is the stream of low income rural migrants to metropolitan centres from their own hinterland. The result is quite obvious through the population growth figures, increase in the labour force for industries, trade and services at micro level but catches the eye more sharply if it is focused on micro-life reflecting on living, working and internal mobility pattern within a metropolis, and on its social ecology. Practically in every metropolis of India around 20 per cent population is living in shacks, which gives an outward picture similar to a village. These have been planned not by any urban planning expert but by the residents themselves, quite often violating the city system norms of property right, prevalent building by laws and other standards of land development. The living facility standards too resemble those available in an Indian village or at best in a small town. But the most important part is the people residing in these settlements—they are practically all low income rural migrants.

According to a social survey conducted by the Town & Country Planning Organisation in 1973, there were 1373 above type of settlements varying in size from ten huts to as large as 4000 huts, spread over all parts of the Delhi metropolis. These settlements housed 1,42,000 households and these households had grown at an alarming rate of 14 per cent per annum over their own base, while the total city population grew at 5 per cent per annum. Another interesting aspect of this population was that practically all of them belonged to low income rural population and 65 per cent of their population also represented lowest social rung of Hindu caste system, now termed as scheduled castes. This population, seen according to their occupational structure, not only reflected the informal sector of Delhi's economy but provided a substantial labour base for organised services and industries.

* Courtesy: Social Scientists Association, Town and Country Planning Organisation, New Delhi.

City system, recently, has shifted this total population into 27 large settlements, according to a spot and service scheme. Present article is based on the participation observation of the life style of these migrants in one such settlement in 1973 as it existed then. For the purpose of observation the author stayed in the settlement for six days round the clock from 19th October 1973 to 24th October 1973. The stay in the settlement was arranged through the office bearers of the local association of the settlement dwellers. Micro observation of the life style of this population was undertaken to give depth to the various socio-economic surveys that have been conducted relating to this universe. The main motive was to provide a focused and detailed account of the life style of these migrants to create effective and down to earth imagery in the minds of planners and experts dealing with urban development.

OBJECTIVES AND METHODOLOGY

Objective observation is a complex phenomenon. Besides the difficulties of creating a purposeful rapport with the settlement dwellers, it needs some systematic frame to keep the personal values of the observer tagged to the objectives of the observation. The objectives of the observation were: (i) process of the formation of such settlements, including the process of adjustment of rural migrants in urban Delhi, (ii) day-to-day life style in relation to the living amenities available in the settlement, and (iii) attitudes of the settlement dwellers towards their life pattern. Three broad methods were used: (i) case study: the life of one individual, his intimate family and other families living around him was recorded. (ii) Day Cycle of the living activities: 24 hour day cycles was broken in small time intervals according to the observed break points in their activity pattern and the life was carefully recorded for each such interval. (iii) Age Cycle: this consisted in dividing the settlement dwellers in distinct age-groups according to their social roles and see the life through their eyes by informal discussion with a few persons in each age group.

LOCATION OF THE SETTLEMENT (INDIRA MARKET LABOUR CAMP)

Surrounded by the planned and well laid out central government office blocks and the residential neighbourhoods of R.K. Puram Sector I to Sector XIII, sizable chunk of land was still lying vacant committed for a district park according to the Master Plan of Delhi. On this land, several residential and commercial Jhuggi-settlements had sprung-up over the last decade. Indira Market Labour Camp was one of them. It was basically a settlement of building construction labourers but there were also sweepers, washermen, hawkers of petty goods and other casual labour residing therein. The settlement consisted of 725 jhuggies.

The settlement was internally divided into number of camps consisting of

(25-60) households. All the camps had homogeneous social groups relating to: (i) same or similar occupation, (ii) same regional background, and (iii) same religious and caste background. The settlement had a fairly active local association to represent the interests of the settlement to public authorities and solving settlement problems with mutual self-help. However, the base spontaneous social life was organised only at a smaller camp level. The focus of observation was kept at one such small camps, locally known as Narain Jamadar Camp.

NARAIN JAMADAR AND HIS CAMP : A CASE HISTORY

Narain Jamadar came to Delhi 25 years ago, as a youth of 15 years from Rajpur village in Alwar District, Rajasthan. He was a Bhairwa Caste Hindu. Since generations, households belonging to this caste group had followed service occupations with landed peasantry, but for last few decades they had also specialised as construction labour in the large towns of North India; or as labour on various type of rural public works. Narain's grandfather was also a landless agricultural labour, but his father out of his meagre savings had bought two acres of agricultural land. Narain's father died leaving this land to his four sons and a family debt of Rs. 500. In absence of full time employment opportunity in his own village, Narain with another youth made up his mind to come to Delhi. It was not difficult because some of the known families from the same village were working and living as construction labour in Delhi. Narain at that time was married and had studied upto fifth class in his village school. His father and grandfather had no education.

Narain joined as a 'beldar' to one jamadar at a construction site in West Delhi where he was provided with a jhuggi to live with other labour. He received one rupee and six annas as daily wage out of which two annas were jamadar's commission (wage in 1973 was Rs 5). Later on another brother followed his example and joined him in Delhi. (Today he is living in a separate jhuggi in Narain's camp and works as a mason with Rs 12 as a daily wage). Soon after coming to Delhi Narain called his wife from the village to live with him who also took up the job of a construction labour. Every year they used to visit the village to collect their share of the crop from the land and to pay some cash to the family for sowing the next crop and part as repayment of the family loan.

Rajpur, his village, at present has 2000 households, out of which 150 households belong to 'Bhairwa' caste. Practically from each 'Bhairwa' caste family one or two members are living and working in such settlements in different parts of Delhi. The situation is fairly general for most of the villages in Alwar-Jaipur belt. Most of 'Bhairwa' caste families are related in kinship both in rural belt from where these have migrated and so also in Delhi. Broadly, they have created a parallel social world in Delhi of their own caste group, as it exists in their native place.

Narain worked for six years as 'Beldar'. As he had sufficient enthusiasm and good leadership qualities, a new contractor in need of labour sought his help. He collected five youths of his own age and started working as Beldar-cum-Jamadar. In 1956, the land of Munirka and Mehmudpur villages in Delhi was acquired, for making R.K. Puram residential and office buildings. Narain also moved in with his labour for this construction work. Majority of these construction labour camps after moving around from one construction site to another got established on the site, where the present Vasant Vihar, a private residential colony exists.

In 1964-65 all the jhuggis at Vasant Vihar were demolished by DDA for the residential development. Labour living in these jhuggis were offered 25 sq. yds. plots in J.J. Colony, Madangir. Majority of the Jamadars either refused this offer, because it was far away from the construction site or could not be accommodated. Instead as a group they occupied the present site.

Present site was a little raised ground around which deep ditches had been made by the brick kilns operating at the site before 1956. These ditches were later on filled by the city and loco-shed refuse for levelling the grounds. Narain with his experience of living in such camps and making two such small camps himself planned the present camp for around 40 labour with 25-30 jhuggis. Later on as his labour increased he added one more row of jhuggis in front of his camp.

NARAIN'S CAMP

The camp was enclosed in an area of a rectangle 35 yards long and 25 yards broad. Majority of the jhuggis were in straight rows, forming a close courtyard for the group. In the centre of the courtyard there was one hand pump provided by him. Part of the courtyard was later on paved by Municipal Corporation in 1971 as a part of their improvement scheme. From hand pump to the end of the camp cemented drains were also provided by MCD which were a striking improvement over the unpaved drains in which water used to stagnate. Outside the camp water flowed for small length in unpaved drains and then to big pool of water in a ditch. Near the hand pump, one cemented platform had been made by Narain for washing clothes and by using two small brick walls of 4 feet height a little privacy had also been created for taking bath. There was one 'peepal' tree near the hand pump, which provided the welcome shade in summer. This tree was planted at the time of the laying down of this camp ten years back by the son of Narain. There was also one small temple in the camp. Jhuggi in the camp was a standard structure using burnt brick for walls and dried and bound grass (sirki) for roof. There were differences in size and material used in the jhuggies occupied by a Beldar, a mason and the Jamadar himself, which were suggestive of their economic and social status within the camp. Beldar's jhuggi could at best accommodate two small cots and an adult could not stand straight in it. In some of the jhuggis, a group of

single man (beldars) were living, without their families who lived in the villages.

OWNERSHIP OF JHUGGI AND NARAIN'S LEADERSHIP ROLE

Jhuggi material belonged to Narain and the land on which jhuggi camp existed belongs to the Government but was occupied as a group with Narain playing the leadership role. All beldars living in the camp worked with Narain and gave him his commission. This was not true, however, of masons as majority of them by now searched their own work as and when Narain did not need them. But whether working or not they all payed rupee 0.50 per working day as commission. (Increasingly this practice was also getting dropped). At present there were 12 jhuggis in which masons were living; majority of them had become masons from beldars. Till Narain's labour was working and staying in his camp, question of ownership of jhuggi did not arise. At times on personal conflict some of his labour wanted to leave Narain. In this eventuality the labour had to leave the jhuggi and he did not mind it, because the new jamadar with whom he had to work would provide him with a jhuggi; Narain's jhuggi would go to the new labour joining his camp.

Narain for last few years had added no new jhuggis at this site, partly because there was pressure against adding new jhuggis from Delhi Police and the local association of the cluster, whose vice-president Narain was himself and partly he did not require more jhuggis at the present site, because quite a few construction assignments he was getting were far away from the settlement. For example few days ago he got a new assignment as far as Najafgarh. To fulfil this assignment some of the labour from the camp had moved to the new site, either closing their jhuggis and leaving some of their belongings in it or leaving behind an old parent or non-working member of the family. As soon as this work would be completed they would come back. This camp thus in a way served as a base camp from where labour made temporary small camps at construction sites. With labour moving to different work sites, going at times to their villages for crop cutting, marriages, deaths and other social functions, the setting provided to Narain much needed flexibility of adjusting the additional labour or change of labour.

In emergencies Narain was source of great help to his labour, in terms of advance wages to be adjusted in the future work and as a guide and a counselor in the rest of their lives. Even at the time of personal conflict a beldar would think twice before leaving him because at best he would join another Narain; alone he would be completely lost in his huge metropolis without contacts and any savings to fall back upon.

Narain had only one son, who was born in Delhi and was now 20 years old. He studied upto tenth class in R.K. Puram sector schools. After failing in tenth class he decided to join his father in work willingly. Narain's ambition was to make his son a building contractor which was whole heartedly shared

by the son. His son got married two years back and lived in a separate jhuggi, but the family was running still a common kitchen.

Household possessions can be very useful index of the style of life. Their content and range speaks volumes on the subject. In the present context, the total range of the household goods was so limited that it was possible to systematically and objectively list these. The complete list of household possession one belonging to a 'beldar' and another to a 'mason' may be reviewed as given below. The households chosen were relatively well off persons in the camp.

POSSESSION OF A RELATIVELY WELL-OFF BELDAR

Arrival in Delhi 1949, family size 5, adult male 1, adult female 1, male children 2, female child 1.

Dress

- | | |
|----------|---|
| Male | — One 'dhoti', one 'kurta' |
| Female | — Two 'lehangas', two 'kurtis', two 'chunnis' |
| Children | — Two pants, two shirts, two 'pyjamas', two 'frocks', two 'chaddis' |
| Remark | — There were no woollen clothings with the family and there was no change in the dress pattern after coming to Delhi from Rajasthan for adults, but the school going children were now using pants. |

Footwear:

- | | |
|----------|---|
| Male | — Rajasthani Jutti one pair |
| Female | — Plastic 'chappals' one pair |
| Children | — Only one child had a pair of 'fleets' |

Ornaments:

- | | |
|----------|--|
| Male | — Nil |
| Female | — One 'hasli' and one pair of 'kara' made of Silver and bangles of lak |
| Children | — Nil |

Utensils:

- | | |
|---|---|
| — | Two 'degchis' made of aluminium, two aluminium plates, two 'parats', one made of brass and other of aluminium, two 'karchis', two 'thalis', two 'katories', two spoons and two glasses. |
|---|---|

Furniture:

- | | |
|---|-----|
| — | Nil |
|---|-----|

Bedding:

- | | |
|---|--|
| — | Three cots, three quilts, two mattresses made by filling old torn clothes. |
|---|--|

- Other:* — Kerosene lamp and two tins to keep provisions; one 'hukka', one 'angithi' and one fixed 'chulha' for cooking food and some empty small tins.

POSSESSIONS OF A RELATIVELY WELL-OFF MASON

Arrival in Delhi 1949, family size 7, adult male 1, adult females 2, male children 2, female children 2.

Dress:

- | | |
|----------|--|
| Male | — Three 'shirts', two 'pyjamas', one 'dhoti', two 'pants', three 'vests', three 'underwears'. |
| Female | — Three 'lehngas', two 'kurtas', five 'chunnis' |
| Children | — Two 'pants', two 'shorts', three 'shirts', two 'frocks' |
| Remarks | — There were no woollens with the family, and there was a distinct change from the cultural dress made for adult males and children. |

Footwear:

- | | |
|----------|--|
| Male | — Rajasthani Jutti one pair |
| Female | — Two plastic 'chappals' |
| Children | — Only one child had a pair of fleets. |

Ornaments:

- | | |
|----------|--|
| Male | — One gold ring |
| Female | — One 'hasli', 'buttons', 'bangles', and four pair of 'karas' all made of silver |
| Children | — One silver 'hasli', and one silver 'tagri' |

Utensils:

- One 'degchi' one 'patila', one 'lota', one 'karchi', one 'parat' one 'thali', two 'katoris' two spoon all made of brass, two glasses and one bucket.

Furniture:

- One 'chair', and one 'wooden box'

Bedding:

- Three 'cots', three 'quilts', and two 'mattresses'

Others:

- One 'cycle', one 'gramophone', one 'transistor', one 'wrist watch', one 'hukka', two tins to keep provisions, one 'chulha', one angithi, few work instruments and few empty tins.

TWENTY-FOUR HOUR DAY CYCLE IN RELATION TO LIVING FACILITIES AVAILABLE

Twenty four hour day cycle in Narain's camp could be distinctly broken in

five time periods: (i) 6 a.m. to 8 a.m., (ii) 8 a.m. to 12 noon, (iii) 12 noon to 5.30 p.m., (iv) 5.30 to 8.30 p.m., and (v) 8.30 p.m. to 6 a.m.

6 A.M. to 8 A.M.

People started rising at 6 a.m. The life activity started within half an hour and reached its peak at 7 a.m. Straight from the bed each individual took his small tin, and went out for the natural call on the vacant land at the end of the cluster called 'khatta'. There were no public laterines within or near about the settlement, although there was a talk of few public laterines coming to the settlement in near future under Environmental Improvement Programme of the Government of India. There was a broad division of the vacant land (Khatta) by usage, one meant for women and other for men. Way to this land, just outside the cluster was rather dirty because small children did not go far away, but sat right there for defecating. Rarely a child defecated within the camp. As the land was quite sizable, generally people were satisfied with this arrangement. Men always greet each other with the name of God at this time of the hour. Women would put their 'chunnies' over their head and body and become an anonymous person while going to attend the call of nature. According to people, sometimes back, some outsiders tried to be mischevious with their women folk. Group action was immediately taken by catching two persons, these were first beaten and then handed over to the police. Since then no such incident happened. Men were generally slow to rise and wake up fully. Usually they started their day with a 'Bidi'. Women on the other hand were alert, and active the moment they got up.

Immediately afterwards the women started burning their 'Angithi' or 'chullah' and started preparation of the dough. No vegetables were cooked in the morning and only thick 'chappatis' are made; usually some salt was put in the 'atta' itself and these were eaten straight with water. Each adult ate a few of the chapatis right there and packed a few for the lunch (to be eaten) at the work site. There was hardly any time to heed to the children. Even a child of three started managing his own affairs and time. Rarely any body took a bath in the morning. The only exception was Jamadar, who on certain days took full bath in the morning or cleaned himself with care because he had to attend to the temple. He washed the temple and did his puja, as if for the whole camp; nobody else used to go to the temple. Total routine of the morning was done in a mechanical manner, with quite a speed. Everybody understood his role and there was no confusion whatsoever either in the individual family life or within the camp. There was hardly any noise within the camp, except for the feeble weeping of a sick or hungry child or that of hand pump. Practically all burned their 'Angithis' at the same time and for half an hour there was a little smoke and then the atmosphere was clear. Living habits and movements of women and men were spontaneously harmonious. Not a thing was wasted and each thing was kept after its right use at its proper place fit for

the next use. Taking tea in the morning was rather rare, except for sick. Four to five masons families in the camp made tea in the morning and ate their bread with it. Majority of beldars and women slept in the same clothes with which they worked. Masons generally had different work clothes.

At 7.30 a.m. a sweeperess would come to clean the camp courtyard. She was living in the adjoining sweeper camp in the cluster. Inside of the Jhuggi was cleaned by the house-wife and the sweeperess got one to half chapati daily from the majority of camp households as her wages for cleaning the camp courtyard. There was no arrangement of Municipal sweeper in this cluster. As a matter of fact there was nothing to clean except the burnt up ends of 'bidis' or the cigarettes thrown by men. Even the empty cigarette packets were a prized play items for small children. As far as other types of refuse like paper, broken glass, broken shoes and empty bottles and tins are concerned, there would never be any, because all these things were collected either for use or to be sold to junk dealers living in the cluster. Latest item which children collected from the road side and sold to the junk dealer were broken plastic pieces. Healthy physical body was the most important asset for survival and towards this end people as a group were very sensitive. Once during my stay one glass bottle was broken in the courtyard by a child. Immediately all men and women gave a hand to pick-up every bit of glass piece from the courtyard, as otherwise it might injure somebody's foot.

By 7.30 a.m. to 8 a.m. all started moving out of the camp for work. Few in groups, other singly. People were rather serious at this time of the day and don't even exchange pleasanteries. Talk if any, was related to work in monosyllables or gestures. Women took their small children with them. Masons went alone on their bicycles, because most of them had different work sites. Most of the Jhuggis closed and camp gave a deserted look.

8 A.M. to 12 Noon

Theoretically all the men, women and children above twelve years of age went to work. But in a couple of the mason families, who could afford, women did not go to work. Sick men and women, very advance pregnant women and children of the age group 5 to 12 were also left in the camp. In addition some men and women who got tired took a day's off to relax, clean or attend to some important work like repair of the Jhuggi or to bring their ration. Narain's wife these days had gone to her parents home in the village. Narain's daughter-in-law, who did not go to work was playing her role of looking after the camp. She, like her husband or father-in-law, was supposed to take leadership role in emergency during the day time. She was also supposed to look after small children which some families left in the camp, while going to work. But in actual practice, she had nothing much to do, because children looked after themselves, or went to any adult in the camp in need. Those persons who were left behind, took their bath and washed their clothes,

one by one on the hand-pump. Whole atmosphere of the camp was quiet and relaxed and every activity was done in a leisurely manner. Mostly same soap was used for washing the clothes and taking bath. School going children roamed around, as they went to school at 12 noon. No organised or semi-organised games were visible at this time of the day. Couple of children of this camp went out in the main street and played marbles with other children. Small children below six, moved around in groups. They were all ill-clad and become dirty soon even if washed, because of playing in dust. They rarely wept and kept themselves busy playing with anything like empty cigarette packets or bottle corcks, etc. Most of the parents left for them a quarter of a chapati while going to work, which they kept on munching for hours. Some women and children went out on 'khatta' with a basket and a 'khurpi' to dig out burnt coal for use in their Angithis. Sometimes back the ditches near the cluster were filled by locoshed refuse. This had turned out to be a boon to cluster people. Most of the families who could not afford to buy wood, used this coal for cooking their meals. This coal had to be dug out, collected with patience, washed, dried and was then fit for use. Other free material was animal dung collected from road sides and dry branches of tree collected, while coming back from work.

12 Noon to 5.30 P.M.

At this time, women left in the camp gossiped and stitched their clothes. There were three sewing machines in the camp, which were shared by all women at the time of need. Sharing of things like buckets, lotas, brushes for whitewashing was very common. Such things belonging to Jamadar's home were asked for use as a matter of convention by everybody in the camp. As Diwali was approaching most of the people were repairing their huts, giving it a mud plaster and then a whitewash. Some were doing beautiful decoration with colours on the walls. In general there was much self-pride in keeping their own jhuggi, well built and decorated.

Camp had two relatives from villages, during these days. One had come to meet his son and give him some 'ghee' and vegetables from his fields. Other was purely on a commercial errand. He had collected $1\frac{1}{2}$ maund of pure ghee from his village, and was selling in Delhi to known people at Rs. 21 a seer. As women did 'parda' from elders, guests usually had to stay in the courtyard and were a problem to be adjusted in Jhuggi. In this regard also Jamadar's one room and the covered place in front of it was handy and was used by many guests to the camp. Lot of petty hawkers also passed through the camp at this part of the day, although rarely anybody bought a thing.

5.30 P.M. to 8.30 P.M.

People started coming back from work in groups or singly, and by six

practically all were back, except those who were working overtime, for completing the concreting of some roofs, a work which had to be finished in one single operation. Life strangely repeated the same morning two hours routine, except that things are done in a leisurely manner. Food was cooked with little more care and usually had 'chatni' or even a vegetable. People at this time of the day were tired, but they were more sociable and talked to each other and joked with each other. Only time one saw the serious construction labour smile and happy was while playing with his small child in the evening. Small children hugged around their mother, and sat around her while she cooked. Bigger ones went out of the camp in the main street and played group games with other children of the cluster. Cluster's main street was quite noisy, but inside of the camp was always quiet. At around seven, some children belonging to the camp, burned a lamp in the temple. Every Tuesday evening women gathered and did kirtan, I was told. On the Tuesday I was there, I only saw them gathered in front of Mandir and sharing some jokes and 'bidis'. By eight o'clock most of the people were within their Jhuggi. They closed their doors, but one could see the small oil lamp burning for an hour or so. Probably this was one private hour of the family, otherwise one never came across family members talking to each other, particularly husband and wife. Some of the men folk went out and sat on tea shop or grocer shop for gossip and smoke. I did not see any person from this camp playing any group games or cards, but some other groups in the cluster played cards. Exception was Jamadar's Jhuggi, which was alive quite often upto 11 or 12 p.m. Some visitors were there to discuss work, some labour to take their wages and accounts were discussed between Narain and his son, and so also the next day's work. It used to become dark at 7 p.m. and cluster used to give a deserted look at 7.30 for first three days of my stay in the cluster. Fourth day the street lights came under Environmental Improvement Programme and changed the very face of the cluster, at night. The most striking and immediate change one could observe was children playing in the main street up to 10 p.m. The time of gossip groups also got lengthened up to 9 p.m. The presence of light gave an added feeling of security to the residents. People in Narain's camp were sore because in spite of being a leader he could not manage an electric pole within the camp courtyard.

8.30 P.M. to 6 A.M.

This was the sleeping period of the camp residents. Security at this time of the night, once was a problem in the camp, and the cluster. Some group raids used to be there and women lost their silver 'haslis'. Even last year, one person from each camp, kept awake to keep watch and ward. Coming of light in the cluster was welcome from this angle.

Day after day, life repeated itself the same way, in the camp. There was no weekly off, and as such, Sunday was no different from other days. This

monotony was broken at group level on religious festivals and important social events like child-birth, marriage, death, etc. At family level, going to village once a year, was a great change.

Age Cycle

Considering the social roles, people took up in various age groups in relation to the working and living environment available to them, the age cycle was broken in five broad age segments. The perception of age, by most of the individuals in the camp was not in terms of physical number of years, but the social role they performed. Most obvious roles relating to the physical growth process of an individual were: (i) Total physical dependence for survival on adults (0-5 yrs), (ii) Physical independence from all time care of parents, and to be in a position to give a helping hand in running the family unit. To the extent it was not possible to be useful for family, to take up schooling (6-12 yrs), (iii) To take up full-time employment, and pick up social responsibility of setting up an independent family unit (13-25 yrs), (iv) to take up total social responsibility, as prescribed by their cultural background, and to be socially responsible for next generation (26-45 Yrs), and (v) Old age.

(i) Age Segment (0-5 years)

Majority of the households in the camp had one or two children in this age group. Normal weaning period of a child is $2\frac{1}{2}$ years or the birth of the next child. From mother's milk the child is straight put to the bread eaten by the family. It was exceptional that a child got any supplementary diet of milk after weaning. Considering the total diet based on cereals for a child, the majority of children appeared to be in good health. There were three children in this age group in the camp, which were rickety, or gave the appearance of being under-nourished. Emotional and physical care of the child by the mother was exceptionally high, up to three years of age, but after that main effort was to put the child on his own. A child of three, four, or five learned to spend much of his time himself. Major expectancy from him was not to weep, and not to interfere with the busy adults, which he stood up to in a marvellous way. Children were ill-clad and dirty and gave company to each other in absence of parents. Children up to the age of three were normally taken by their mothers to the work site. Older children in this age segment missed the non-working adults. There were only two non-working old adults in the camp, who were a great source of joy to the children, because they gave them their attention. Children up to this age group rarely went out of the camp courtyard and mixed with children of other camps in the cluster. Some of the children in the evening got two pieces of bread from the Nutrition Programme being run by the Delhi Administration in this cluster.

(ii) Age Segment (6-12 years)

There were fourteen children in this age group in this camp out of which seven attended the school, which was located very near the cluster. Normal year to join the school was six to seven years of age. Out of the seven children going to school two girls and a boy were in 1st class, one boy each in 2nd and 3rd classes and two boys in 6th class. Most of the children, who were going to school, don't believe they would continue their education beyond sixth class. Only one child was ambitious to pass Higher Secondary Examination. Majority of the children, in this age-group, had no conception of their future life. Some of them gave a helping hand to the family, particularly those not going to school. Girls looked after smaller children and helped their mothers in cooking food and collecting various types of fuels. Some of the older boys took up part-time work at construction work-site of bringing water, or as a helper to the mason. Some of the brighter ones, out of these were expected to be taken up as regular apprentices by some masons and would pick up the occupation of a mason and the rest would become beldars. Children in this age group went out of the camp and played with children of other camps in the cluster. Usual games in the day time were marbles and in the evening group game of hide and seek. Some of them on Sunday evenings, went out with other children of the cluster to see movie on television provided by Defence Offices near the cluster. General health of the children in this age-group was poor and one wondered if these children would ever be able to pick up the hard job of a construction labour. But according to the people in the camp, at puberty both girls and boys picked up health, because when they start earning they got better food.

During last five years two children died in this age group due to small-pox.

(iii) Age Segment (13 to 25 years)

Majority of the people in the camp were in this age-group. No person in this age group was a student or non-worker; and almost all were married. There were only two males in this age group, in whose case 'gona ceremony' after marriage had not taken place. As soon as a child entered this age-segment he was expected to take up full responsibility of adulthood. He started getting adult wages, and was expected to pick up adult behaviour. For few years, he was an asset to the family, but by the time he reached the age of 18 to 20 he began his independent family life with a separate kitchen in a separate Jhuggi. During last one year four marriages took place in this camp, three for boys and one for the girl and in each case spouse was from the villages. During last one year ten children were born in this camp. Number of children who died during last one year was five, all of them below the age of two.

People in this age-group were full of life. Their main scale of progress and

happiness was completely within the fold of their occupation and caste group in the camp and back in the village. Great source of pride for a beldar was good health and his physical capacity for work, and for a mason his skill. Spending on the feast at marriage, child birth and death of parents was the measure of social prestige. Social obligations on these occasions were always performed by taking loan. There was hardly a household in the camp which was not paying back loan on this account. Loan was always taken from Jamadar, relatives and the local shopkeeper, either here or in the village. All the households in this age group had a reasonably good capacity to work and to pay back the loan. Majority of the people in this age-group were proud of their own way of life and their moral standards.

Local concept of recreation revolved around physical rest and food. A good day's total rest, after eight to ten days of hard work, and a sumptuous food, with meat once a month were luxuries, which all looked up to. Males liked to drink, but rarely indulged in it due to lack of money. In this camp, there was no person habitual to daily drinking. To get new clothes and silver ornaments are women's concept of luxury. In this camp, rarely anybody in this age-group went to cinema. There were five households in this camp who owned a transistor but they rarely listened to these. People in this age group did not complain about life, except about the non-availability of regular work. Child birth was source of great happiness and pride. Women kept on working as construction labour generally up to 30 days of delivery date, and restarts the work life on 10th day after doing the puja ceremony. One beldar's wife in the camp acted as mid-wife to all the deliveries that took place in the camp and surrounding camps. People in this age-group, although spoke with pride of their village life, but preferred the life of a construction worker in Delhi, rather than that of an agricultural labour in the village, even if it was available. Most of them felt that they neither could nor would like to go back to the village and were satisfied with the fact that part of their family was living in the village. Majority of people in this age group were not bothered about future or outside world. Their main attention revolved around their individual family and present day difficulties.

(iv) Age Segment (26-45 years)

People in this age-segment were conscious of broader aspect of their life. Physical life got to a declining trend. Family responsibilities increased and capacity to earn either became steady or declined. They were worried about future and complained against everything. It was in this age group that people expressed the comparison with rest of the life in the city. They become conscious of their being poor, ignorant and helpless. Important worries that loomed large to them were security of their habitat (Jhuggi), availability of work, and how to manage in their income food for survival and the social responsibility which requires cash. Physical sickness, which became more

frequent meant less earning and additional expenditure on medicine. To miss a day of work, to make or renew a ration card or get ration which was not sufficient, made them pessimistic and sad. To them less food than required by the body to do physical work, was a great blow; this affected their survival. They did not get angry because they did not believe that day's work, food and shelter was their right in Delhi. In spite of all the political promises to them, they were strangers to broader political and social system of India. They only belonged to their own village and there also they were convinced only of their cultural rights. Election and voting now repeated quite often had made them feel more sure of their right to demand a place to stay in Delhi and few civic service. Actually this applied only to local leaders on whom they were putting increasing faith as a group, because of the past experience of getting new civic services at the time of voting.

In this camp there were two persons suffering from chronic illness, presumably T.B., one of them 30 years old and other 45 years. There had been only one death during last five years in this age group and that was of a woman, who died during child-birth.

(v) *Age Segment (46 years and above)*

There were probably only two persons in this camp which were in this age segment, both of them very old but went to work as often as they could. People of the camp believe that due to lack of proper food and hard work they got old and die at a young age. However, there had been only one death in the camp due to old age during last five years. The age at death of the person was between 50-55 years.

SOME IMPORTANT CONCLUSIONS IN RELATION TO THE OBJECTIVES OF THE OBSERVATION

The physical fact of low income rural migration to the metropolitan setting has an in-built social system. The system has evolved spontaneously overtime and provides for a successful migration process to an individual. A group of early migrants have created a social space in metropolitan Delhi, whose gradient to the rural social space from where the migrants have to come is so small that difficulties of shifting from one setting to another gets minimised. The social space created in Delhi by these migrants is based on the same principles as they are accustomed to function in rural setting, *i.e.*, based on common caste, religion, region and occupation. However, it is not a complete replica of the village life, but takes into account, the constraints of new setting. At physical plane of organisation the differences get a slightly sharper focus. General model is, it appears, of creating an ingroup in the metropolitan setting based on sharing, till the individuals constituting the group gets absorbed in the broader process of urban living, based on individual survival,

related to the other individuals through modern social organisation and socialisation through formal education and skill acquisition. This process may take more than a generation, and thus their current mode of organisation is highly relevant to them, as well as to those, who want to plan their future. The spontaneous informal systems of recruitment, training, social security and dealing with stress situations based on the vagaries of economic fluctuations of a metropolitan economy and social life it appears from the study should be tempered with due care. Besides the economic constraints the scope of social change in a very short span of time for an individual is neither practical nor desirable. Neither the physical organisation or reorganisation of life can be divested from the social life of these migrants. The challenge is to so smoothly disturb the system, that it has a value frame of improvement without creating a trauma for these migrants or the city social system.

Two highly relevant points which come out of the description of age-cycle of these migrants are: (i) A very nominal scope for their children getting that level of formal education or skill, which gives them some chance to have social or occupational mobility even over a generation, and (ii) Lack of social security against disease, old age, and work. These migrants after cheerfully giving their youth to the physical work of the metropolitan community do need a sympathetic and concrete help in old age or while they are physically sick, if not while out of employment. It appears that normal city system of education and health, need certain specific modifications in their favour, if any visible improvement has to come. Question is of course complex, because the city system cannot function differently for low income migrants than for other low income population in general. Anyway it is a challenging question for the experts involved in the process of urban development.



Book Reviews

Social Indicator Models (ed.) KENNETH C. LAND and SEYMOUR SPILERMAN, New York, Russel Sage Foundation, 1975, p. xi+412, \$ 15.

Social indicators have reference to quantitative description and analysis of social conditions and trends, designed both for cognitive purposes as well as for decision-making. Social indicator models are concerned with inter-relationship among a number of social indicators in a chosen field representing a segmental theory. The volume under review is on social indicator models and contains fifteen papers: Two introductory in nature, seven on replication models and six on longitudinal and dynamic models.

Reviewing a collection of papers within a reasonable space is a difficult task. The papers in the present volume are all substantive contributions. In addition, while the first three papers cover some general grounds on social indicator models, all others relate to specific models frequently presenting the analytical framework as well as the quantitative estimates. The attention paid to different papers in a situation like this is naturally coloured by the preference of the reviewers.

Land and Spilerman in their 'introduction' underline that the essays in the volume avoid grandiose social system models remote from social indicator data. Articles in general, deal with specific sets of data and attempts an analysis of social change in a particular field. Replication models deal with at least two bodies of cross-section survey or census data while longitudinal studies depend on repeated observation of the same individual or the same structural unit and make use of dynamic models. Land in 'Social indicator models: An overview' starts with a brief history of studies on social indicators in the USA, pointing out how the objectives changed over time. Three basic goals remain social policy, a study of social change and social reporting but the emphasis on these changed over time. He also attempts to make the notion of social indicator model explicit. When social system models specify certain social processes (abstracted from more general social processes), the configurations that arise are to be reckoned as social indicator models. In this context one may stress that when we consider the developing countries in which the society can be partitioned into several groups by stages of development, sometimes ranging from the primitive to modern, the parameters of the models would depend partly the mix of the groups. The application of social indicator models in such cases would be tricky, and constants in the equations will hardly be parametric in nature.

Stinchcombi and Wendts' Theoretical domains and measurement in social indicator analysis could as well have belonged to the group of introductory papers, instead of coming under replication models. According to them, the theoretical domain is the set of possible uses to which a concept and correlatively its measures might be put. If we can show an irreducible core of meaning of a concept in all its possible uses in a given theory, this provides a basis for the analysis of the statistical behaviour of the measure of the concept. Elements of a domain comprise units, environment, a set of specified concepts and functional forms depicting the relations between concepts. A spanning set of concepts is a crucial subset of the conceptual domain in terms of which all invariant relations of the domain can be stated with only definitional relations between this subset and other concepts of the domain. By the causal locus of a domain they mean those aspects of its relations with other concepts which are invariant under information—free transformation of the theoretical domain. Finally, communality is that part of the variance of a phenomenon used as a measure of a concept which is related to the set of spanning concepts by a functional form allowed in the domain. While this is an interesting way to solve the theoretical measurement problem when what we desire to measure gradually becomes explicit only with the process of investigation, it is our feeling that there is some haziness in the treatment of the distinction between concepts and their measures. Further, uses of certain terms, such as 'a crucial subset', 'information-free transformation', etc. are not very clear.

Davis' 'loglinear analysis of survey replications' makes use of a factorial design taken from agricultural experimentations and finds it more satisfactory than the classical contingency table analysis. The papers, 'Measuring via replication of surveys' by Otis Dudley Duncan and 'Measuring change in attitudes towards women's work' by Beverly Duncan and Mark Evers deal with large scale replicated surveys and their findings using classical methods. Otis Dudley Duncan's summing up is worth quoting. It reads: "The value of improved measures of social change, which replication studies aim to supply, is not that they necessarily resolve theoretical issues concerning social dynamics or settle pragmatic issues of social policy but that they may permit those uses to be argued more productively."

'Women, work and wages—Trends in the female occupation structure' by Treiman and Terrel, in contrast makes use of census data. The basic method used is to regress the population of females in each occupational category on a set of measures of occupational characteristics. By and large, income dominates the equations, and women's work is found to be that in which men are underpaid relative to their education or over-educated relative to their earning power. But the differences are not such as to compel one to think in terms of separate occupation structures for males and females.

Winsborough's 'Age, period, cohort and education effects on earnings by race—an experiment with a sequence of cross-sectional surveys' uses an income generation model from the human capital angle. The model is dynamic

in the sense that rates of growth of human capital and earnings enter it explicitly. The effects of age, period of education, etc., on earnings and their interactions are determined from an analysis of variance using the tables of means and variances. The rates of growth of human capital and earnings are estimated by suitably transferring the education and age effects. The paper is interesting as much as it presents a precise and simple theory, having a satisfactory observational underpinning.

Featherman and Hauser's 'Design for a replicate study of social mobility in the US' presents the plan of a 1973 study to replicate one in 1962. In the diagram on p. 223, some of the arrows come from nowhere, 'these high correlations (or regressions) need explanation.

The first paper under Longitudinal and dynamic models, 'Transition and admission models in social indicator analysis' by Stone is of considerable interest, giving a large number of uses of transition population matrices, C 's. We choose one illustration to show their interesting properties. If recruitment and promotion in an institution are given by

$$C = \begin{Bmatrix} .65 & . & . & . & . \\ .20 & .70 & . & . & . \\ . & .15 & .75 & . & . \\ . & . & .15 & .85 & . \\ . & . & . & .10 & .95 \end{Bmatrix}$$

indicating that 65 per cent of those admitted in grade one stay in the grade next year, 20 per cent are promoted to the next higher grade and 15 per cent leave, and so on, then the column sums in $(I-C)^{-1}$ or (9.33, 11.33, 16, 20, 20) give the number of years a person is expected to remain in a grade governing the column once entering it. If the initial staff is given by the vector, (4000, 3000, 1500, 1000, 500), the new entrants vector would be (763, 254, 0, 0, 0) in order to ensure an equilibrium staff of 10,000 with constant recruitment numbers. But this would give an equilibrium staffing pattern of (2179, 2300, 1380, 1380, 2760) which is widely different from the existing one. In fact, if we want to have the existing staffing pattern as the equilibrium pattern, the recruitment vector would require annual retirements of many in the three higher echelons. As we have pointed out earlier, the strength of such methods depends on the degree of constancy of the elements of the C -matrix, and this is unlikely to hold in developing societies when they are actually developing. In these cases, cruder projection methods using data relating to the periods immediately past may give better results than constructs that use data for several years.

'Models and indicators of organizational growth, changes and transformations' by Judah Matras considers the growth of different types of organizations: (i) individual organization as a population, (ii) organizational networks as population system, and (iii) populations of organizations and studies them

in relation to the population transform (*i.e.*, births, deaths, size and composition, etc., of population over time). In all the three cases studied, the analytic approach suggests that a vector of population at the end of first year, p_1 is the product of population transform matrix T_1 during the year, and the population in the beginning of the year p_0 . That is, $p_1 = T_1 p_0$. Similarly, $p_2 = T_2 p_1 = T_2 T_1 p_0$, and so on. Thus, the models attempt to study the differential growth and transformation of organizations over time. The paper does not examine problems of estimation. Elegant theories, it may be noted sometimes do not come to the aid of practical users because of the difficulties associated with the procedure of estimation of parameters. Using a probabilistic approach like one used by Stone, Coleman describes the transition of persons from one's occupation to another in his 'Analysis of occupational mobility by models of occupational flow'. The expected number of persons in different occupations during some year, $N(t)$ is assumed to be the product of a matrix, H (called, transition matrix) consisting of elements as the probabilities of movements of occupations from one cohort to the following one; and the expected (or observed) number of persons in different occupations in the preceding year, $N(t-1)$. But for some obvious statistical estimation problem of H , this model describes the flow from the new entrants in various statuses to the exit after an arbitrary high age passing through several occupations. And by modifying the transition probabilities, the model would enable one to have a better understanding of occupational structure of a society.

'Growth in occupational achievement: Social mobility or investment in human capital' by Sorenson studies an interesting aspect of social mobility. Prestige and remuneration associated with occupation (occupational achievement) depend partly on 'on-the-job-training' etc. (human capital) and partly on job opportunities (social mobility). The paper uses a simple regression model to connect job shifts with both these aspects and data on job shifts have been used to estimate the constants. The equation then can be used to depict career patterns as well. No study like this has been conducted in India to the best of our knowledge, and it will be of interest to take up one.

In his 'models involving social indicator of population and the quality of life' McFarland uses a simple formula for studying population dynamics. His set up is given by $P(t+1) = MP(t)$; where, $P(t)$ is vector of female population and M is a matrix composed of fertility and survival of different age groups. Some problems concerning divorce rates, crime rates and health are also covered. But there is no attempt to present an adequate theory.

Seymour Spilerman in his paper 'forecasting social events' explains some general techniques of statistical forecasting using trends, regression equations and simultaneous equations systems with examples. Some of the states, however, are unpredictable and he mentions 'a psychological state of a population, such as its level of frustration'. He projects trend using a series of data on lynching and observes that there is decline. A simultaneous equation system is suggested for a study of the shifts in voting intentions during the course of

an election campaign using such variables as an individual's preference for a candidate, condition of the economy, relative popularity of a candidate from the latest poll, etc. The author also considers cross-section analysis which can be used both for the estimation of social events and for their forecasting. Difficulties in social forecasting arise not from any lack of statistical tools but from the fact that the behavioural aspects of social events are still not adequately known.

To sum up, the volume under review gives the reader a very good idea of what social indicator models mean and how they are used in advanced countries. The particular merit of the volume is that it goes into the basic theoretical framework and also a number of illustrations of social indicator models at work, all written by acknowledged authorities. The volume thus merits careful study in developing countries. However, only some suggestive material could be gleaned from the volume that would be directly relevant for solving problems confronting a country like India. We have hinted at least one of these earlier.

—M. MUKHERJEE and A.K. RAY

Housing for Low-Income Urban Families: Economics and Policy in the Developing World, by ORVILLE F. GRIMES, Jr. Published for the World Bank by John Hopkins University Press, Baltimore and London, 1976, pp. 176+xiv.

Micro economic policies often come to grief owing to their limited, self-centred perspective. Either a problem area is blown up out of proportion or its scope is interpreted too narrowly. In both the cases successful public intervention remains a far cry and the unattended problems and their extending consequences make the task of further intervention increasingly difficult. The question of housing policy in the developing countries has broadly been following the pattern outlined above and with predictable consequences. In this context, Grimes' book presenting a wide-ranging review of the housing question and policies in a number of cities of the Third World provides a welcome opportunity to get back to the basics of the problem in hand.

In this study, the urban housing scenario of many countries is surveyed. Classifying the less-developed countries in a three-tier development level hierarchy, the urban housing situation is related to income, city size, rate of urban growth and policy. Though there is considerable diversity in terms of the factors mentioned above, the common purposes and needs served by housing give rise to some basic similarities to the housing question in these countries. These diversities, similarities and interaction among the components of the housing question are used by the author to analyse the nature of the housing problem and to discuss the housing policy options in developing countries. In arriving at the Central core of the study, *i.e.*, a discussion of

the various housing policy options (without, of course, ascribing general weights to various components of a housing policy-mix), the author has moved through the steps of relating housing and urban growth and the nature of the housing services and estimation of the seriousness of the housing problem. A detailed survey of housing conditions in some important urban centres of a cross-section of developing countries and a broad overview of various housing policy measures tried by countries with varying degrees of success level give his formulations their empirical support. The analysis of housing function along with that of housing market, its demand and supply sides and its technical and economic imperfections is used to provide the theoretical framework for his analysis.

Grimes' analysis is specifically directed to the urban poor. It is in keeping with the World Bank's McNamara approach of special target group planning. However, in the case of housing, the really relevant, significant and presently and apparently intractable aspect refers to the low-income group's inability to obtain urban houses through normal price-market mechanism channels. Though at times there are references in the present work to the middle income group's housing problems and its linkages with the problem of low-income housing (like via the trickle down effects), the problem of urban poor's housing has been discussed by and large in such a manner as though it were a problem of housing at a particular low level of income and the consequent global shortage and/or inadequacy of housing stock and flow for these extra market group of people. It may be taken to imply that there is hardly a significant allocation problem; the problem of housing resources excessively cornered by the higher income market groups and its linkages with global demand-supply balance hardly surface up in the present study.

This seemingly innocuous neglect of the reallocation dimension of housing, especially in developing countries which are severely resource-constrained has serious implications for the evolution of various policy option, not to speak of their relative weighing. For example, while one often encounters an appropriate concern for the security of tenure for the poor men's houses (when they are normed according to obtaining income levels), the questions of land-ownership, present and desirable, or even security from whom, etc., hardly surface up. In brief, there appear to be some clear-cut though unstated policy predilections behind the study which prevent the development of the study in some directions even though such an advance may inhere in the process.

A very significant strand of argument in the study concerns an appropriate and adequate definition of housing. It is no mere shelter or physical dwelling unit. Hence the inappropriateness of various estimates of overall housing shortages at the macro level. Housing is correctly defined to refer to a 'package of services': land, public facilities, social interaction, access to jobs as well as the structure which gives shelter. Such a substantive (as opposed to formal) social economy based approach can certainly be broadened, *e.g.*, by reference

to other fixed durable expenditure items like furniture which go with the structure of a house, its relation to its environment, *e.g.*, whether this fixed location asset is situated in a small or a big town, in a growing or a declining town, etc. That such a conceptualisation of housing is essential can be seen by the role of these elements in defining the relation of houses to the kind of markets and other institutional arrangements which are essential for its supply. For example, the link up between an urban house and urban public facilities has important practical policy consequences. Since important components of the housing package like roads, utilities, transport and even land are natural monopolies, the kind of commodity houses are characterised to be (whether private, public or quasi-public) and the role that public ownership and private market relations can play become less of ideological and more of scientific-analytical questions. A policy-design for housing must be woven around these inherent traits of housing. In the present study a beginning in this direction can be perceived, though the consequences in terms of policies and priorities have not fully emerged.

In the specific context of the developing countries many important and often neglected aspects of policy formulation and implementation are highlighted in the present study. Without claiming completeness or higher priority than the aspects not touched upon because of what we have earlier referred to as the policy-preferences of the present study, the reviewer would like to mention some important guidelines thrown up by the present study which the Third World can neglect only to its own disadvantage. The author warns against viewing houses purely on need-basis without reference to the income level of the poor families. This is certainly a valid plea in market economies, though its absolutization leading to rejection of non-market, public-goods based approaches may also involve absolutization and perpetuation of inequities in housing.

The author reportedly warns against de-housing made fashionable in the name of slum-clearance. Similar dangers of zoning, unnecessarily high and inappropriate housing norms, cost of transport and loss of access to income-earning and social interaction opportunities are also cogently spelled out. While the danger of sites-and-services approach degenerating into legalised slums has been recognised, its short-run desirability is also impressed upon and through squatter-upgrading approach and in-built flexibility the dangers are sought to be practically tackled. In brief, while adequate theoretical approaches to housing policies are yet to come, the present study makes a modest beginning in such a direction.

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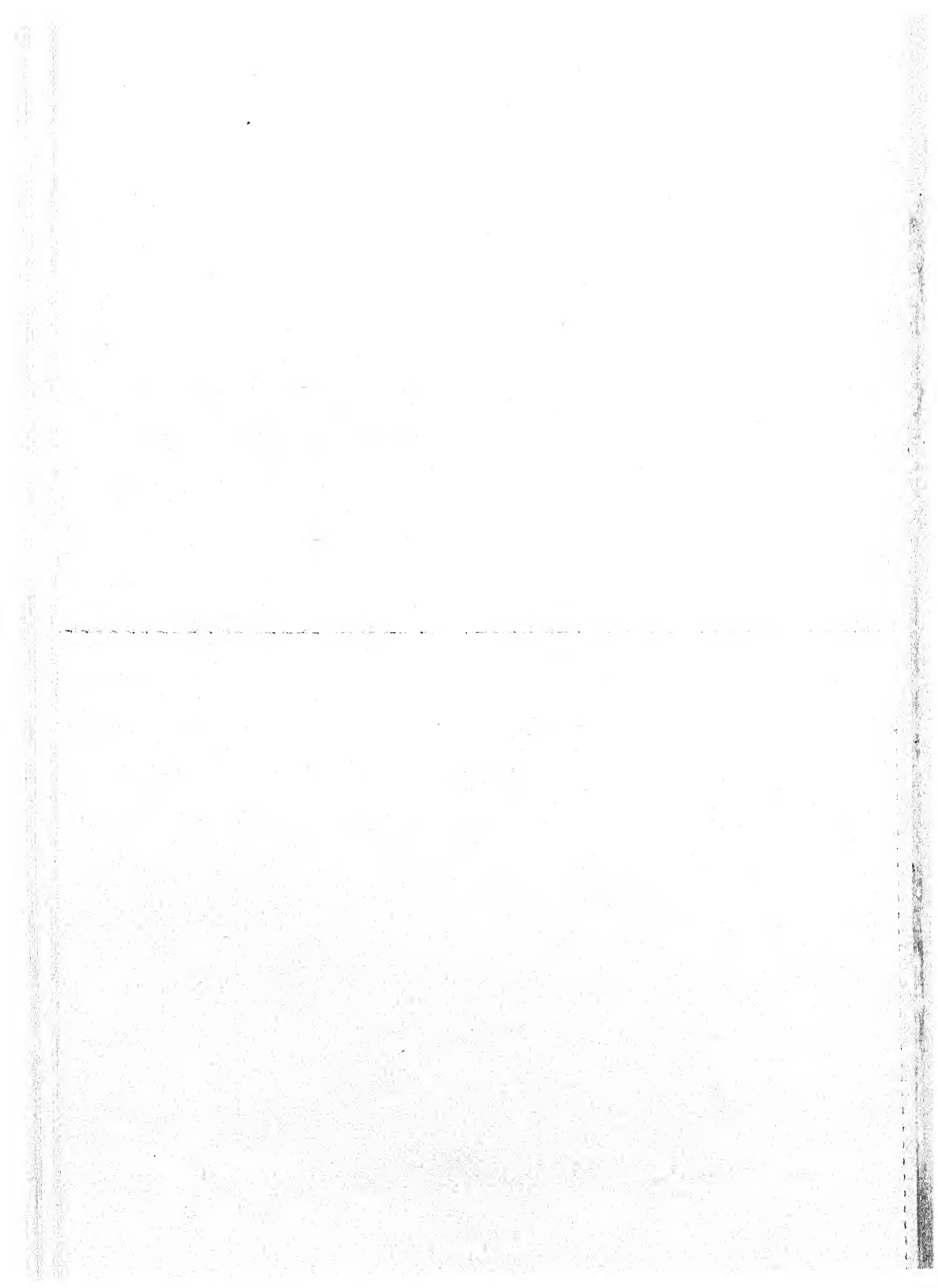
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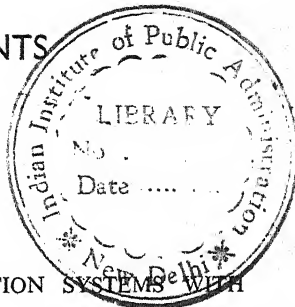
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*Concepts of Urban Information Systems with Application to India**

JERRY C. COINER

ONE commonality in all governmental activities intensified by growing urbanization is the requirement for timely and reliable data. To enhance the ability to acquire, store and manipulate data, urban governments throughout the world are turning to computer-based information systems technology.¹ This technology is intended to delimit the flows and users of data within urban government and generate more timely and reliable information by augmenting existing flows and creating new ones. Although the use of computer technology to augment the flows of data and their transformation into information is relatively new, undefined information systems have been the basis of the governing process of cities since their inception. Therefore, the transition from a noncomputerized, undefined system of data collection and information formulation to a computerized information system depends to a large degree on identifying traditional information flows and designing computer systems to mimic them.

The purpose of this paper is to provide planners and administrators with an overview of the key elements in an urban information system. New techniques for handling urban data via computers will be described, and transitions from existing data management methods to computerized information systems will be discussed. Possibilities for implementing computerized information systems in the four major cities in India are then evaluated in light of the above.

Data relate the several functions of governing activity to each other and to the city proper (Figure 1). The complex relationships implied by Figure 1 are apparent in the following narrative description: Taxation looks to the physical facilities of the city as a source of revenue. Operations (city services—sewers, water, transport) modify these physical facilities. Policy Formulation (city political organs) determines what facilities are to be changed. Planning delimits and projects what changes should be made and

* Support for this study was provided by the United Nations, Office of Technical Cooperation and Centre for Housing, Building and Planning.

¹ Salmona, Jean. *Data Banks and Information System*, New York, United Nations, Office for Science and Technology, Department of Economic and Social Affairs, 1975.

how these changes will affect the city. Finally, Administration coordinates these activities within the governmental structure. Information systems enter here as the basic network of data that informs governmental agencies.

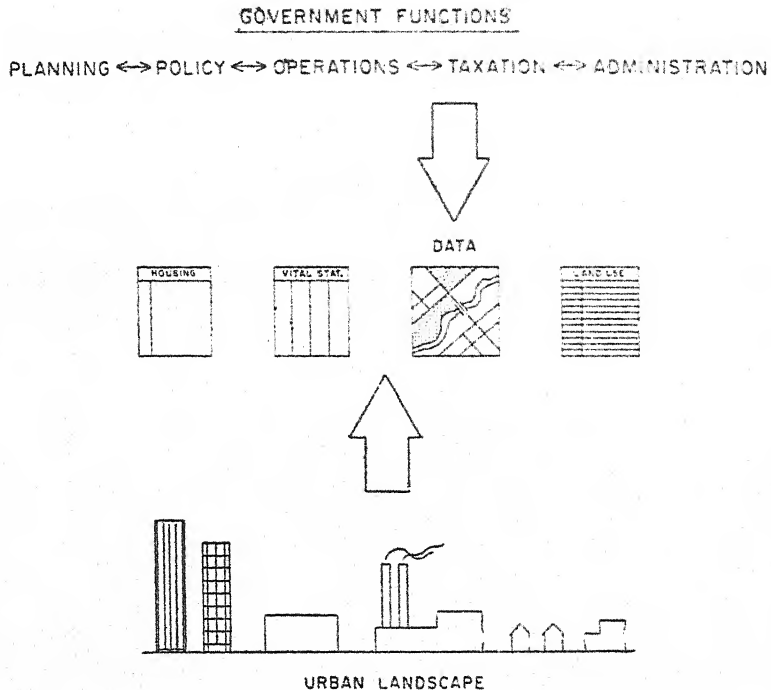


Fig. 1. Interrelationships between urban government functions, data and the landscape. Computer-based information networks increase the urban government's ability to understand the city by increasing the density of data.

Computer information systems can expand the network by introducing more data of a finer detail and can facilitate data analysis through more rapid manipulation and display. For instance, the city can be studied as a disaggregated spatial unit (e.g., city blocks, individually owned land parcels, census unit, postal route) to determine the impact of, say, new industrial sites. This expanded capability to describe the urban milieu rests on technological advances in the area of computer data processing and forms the basis of urban information systems technology.

INFORMATION SYSTEMS TECHNOLOGY

What role do we expect information systems to play in urban government? The answer to this question depends on traditional data usage and information priorities (locally determined) within the governmental structure for

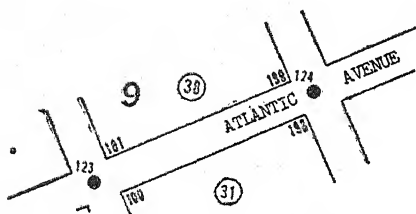
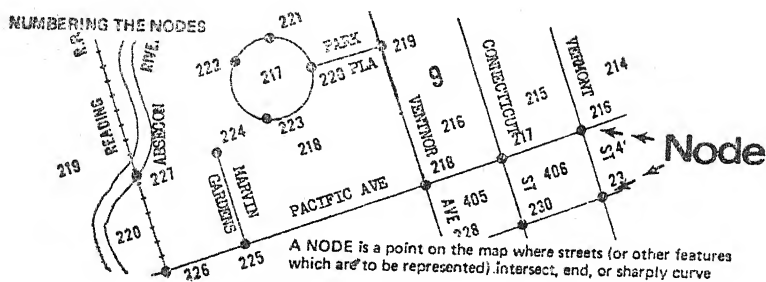
which the system is being designed. Traditionally, computers have been introduced into urban environments strictly for accounting purposes. Such typical uses as employee paychecks and citizen tax bills have been gradually expanded to operations and planning, *i.e.*, utilities mapping, socio-economic modelling and monitoring of land use change. Since policy formulation is the last function impacted in most urban areas and few cities have implemented that capability, this study mainly addresses planning and operations aspects.

Expansion of computer-based information systems into government operations is dependent upon the computer system's ability to handle spatial data. As an operating entity, the government must take into account not only what kinds of changes are occurring within the urban area but where those changes take place. This is also true of planning, because part of the planning process assesses locational impacts of proposed projects. Thus, the key element in using information systems technology in government operations as well as planning is the availability of spatial data. When spatial data are incorporated in a computer-based information system, the technique is known as "geo-processing."²

Geoprocessing. Because geoprocessing forms the central core of any urban information system, it is singled out here for a detailed review. Within geoprocessing, there are several different approaches to incorporating spatial data into computer files. The one found most effective for use in urban areas is the segment-oriented file. Figure 2 outlines its construction. Segment-oriented technology had its origin in the U.S. Bureau of the Census, Geographic Base File/Dual Independent Map Encoded File, commonly known as GBF/DIME.³ The format consists of nodes defined by street intersections or by the intersections of natural linear features, such as rivers, with streets. Nodes are connected by lines formed by roads or other linear landscape features. Each line between two nodes (intersections) defines a segment (street). These segments are the basic record units for storing data about the urban scene. Normally, a segment is divided into two block faces which contain data about conditions on each side of the segment. The record of each block face contains an identifier (name), an identifying number, references to the intersection which delimit the block face, and reporting and administrative units to which it may be subsumed (*e.g.*, census tract, postal zone). With this technology, it is possible to create a virtual map of the city within the computer system. The map resides in computer files, and portions, or its entirety, can be matched with other data elements (*e.g.*, land use, transport, social and economic data) to allow spatial analysis of urban phenomena. A pictorial rendition of the relationship of a GBF/DIME file to other types of urban data is shown in Figure 3.

² Dueker, Kenneth J. "Urban Geocoding", *Annals of the Association of American Geographers*, LXIV, No. 2, June 1974, pp. 318-325.

³ U.S. Department of Commerce, Social and Economic Statistics Administration, Bureau of the Census. *DIME: A Geographic Base File Package*, Washington, D.C., n.d.



FOR EACH STREET SEGMENT A DIME RECORD CONTAINS:

From Node	123
To Node	124
Street Name	Atlantic
Street Type	Avenue
Left Addresses	101-199
Right Addresses	100-198
Left Block	38
Left Tract	9
Right Block	31
Right Tract	9

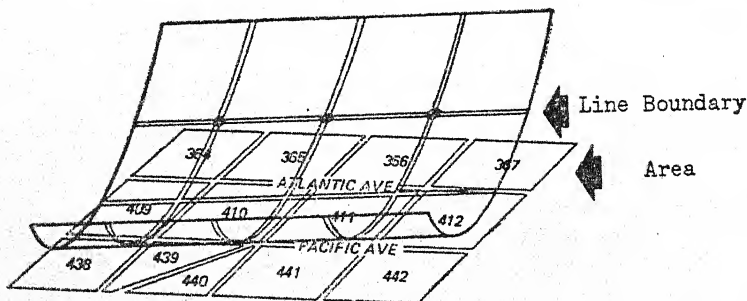


Fig. 2. Steps in construction of a GBF/DIME file. Descriptions of points, lines and areas are established by nodes and the lines between nodes. (Source: U.S. Bureau of the Census)

Application. This capability to conduct spatial analysis has brought about rapid expansion of computer-based information systems technology in urban operations, taxation and planning in North America and Western Europe. Uses of segment-oriented files in urban operations include mass transit routing, traffic accident analysis, traffic flow control, sewage system design, crime pattern analysis, location of small businesses, assessment of energy requirements, civil defence shelter allocations, building inspections, and others. To illustrate, Figure 4 is a computer-generated map of housing

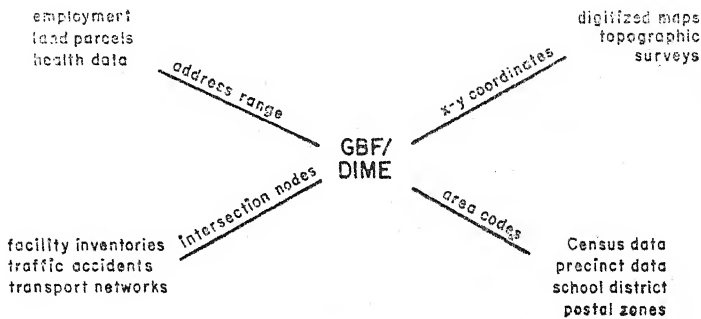


Fig. 3. Relationships between a GBF/DIME file and other conventional types of urban data. (Source: U.S. Bureau of the Census)

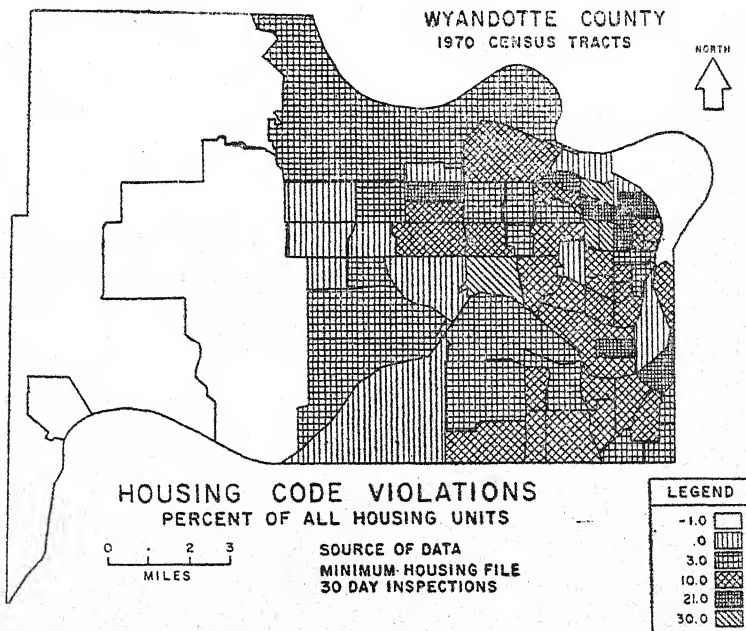


Fig. 4. Computer-generated map created by imposing housing code data on a GBF/DIME file. (Source: R. Domsch, Wyandotte County, Kansas, Planning Department)

code violations which allows assessment by area of housing conditions within Kansas City, Kansas. The system has also been used by taxing authorities to create land ownership files which have contributed to reducing property tax evasion. With segment-oriented files, planners have created a computer data

base that represents data needed for constructing an urban plan. These same data could be used, after they have been appropriately structured within the computer, to support simulation and modelling operations to project present trends and conditions into the future. From a planner's viewpoint, the system's most helpful aspect is that it is flexible enough to allow transition from static master-plans of urban areas to more dynamic, and hopefully more successful, continuous planning. Inherently, files of a geoprocessing-based system could be loaded with time series data to monitor urban activities and infrastructure.

INFORMATION SYSTEMS IMPLEMENTATION

The widespread usage of information systems technology, particularly geoprocessing, by urban governments has demonstrated its utility. The question that remains is: What preconditions have led to its successful implementation? Implementation of urban information systems has been an extremely eclectic process in the U.S., where local level autonomy allows individual cities to decide the extent of technology used in the governing process. Review of the systems implementation phase for a number of cities reveals certain commonalities within the experience. These can be generalized as: (1) appropriate preconditions; (2) detailed systems specification; and (3) phased implementation.

Appropriate Preconditions

There are two major preconditions which create an information systems environment:

The *first* precondition relates to the nature of organization within an urban government. Studies have shown the presence of two organizations, a formal organization, which exists in administrative manuals and charts, and an informal organization, which consists of a network of individuals actually conducting government operations. The degree of correlation between these two organizations varies from city to city and time to time, a situation which poses problems for systems designers. If the formal relationship is used to model the proposed computer-based system and if it does not define actual interactions between government agencies and individuals, the model may be totally ineffective. Therefore, the system designer must take into account not only the formal governing structure and relationships established by law but also the informal, interpersonal and organizational relationships that allow the government to operate on a day-to-day basis. This means that information systems for different urban areas tend to be unique—the system is a creature of the government that it supports.

⁴ Jusseaume, Leo J.A. *Spearheading the Movement Towards Intensive and Accelerated Development in the Field of Informatics in India*, New Delhi, United Nations Development Programme, 1976.

The *second* precondition involves the nature of the data available for an information system data base. Urban information systems which support municipal functions should conceptually assess data from numerous sources, for instance, surveys, sampling schemes, maps, aerial photographs, and census data. A system designer should be aware of the types of data available, their reliability, and their timeliness. If the data are of poor quality, *i.e.*, of unknown reliability, lacking in timeliness or highly aggregated, it is futile to design and specify a large computer-based information system to store, manipulate and retrieve these poor quality data (the "garbage in, garbage out" situation). Data availability and quality are probably more important considerations in developing countries than they have been in North America or Western Europe. Experience with systems implementation in developing countries indicates that it may be necessary to place greater emphasis on improved data collection. This has not been the case in the U.S., where in most cases, existing data were acceptable and could be reformatted to create the data base for the information system.

Detailed Systems Specification

Specification of an information system is at once both the most difficult and most important task that the systems designer will undertake. It is during specification that the human user must be interfaced with the technological components of the computer system. During specification, tasks will be identified for the information system to support. These tasks may range from aiding the police department in preparing parking summonses to supporting a planner-economist in making socio-economic projections. In the past, problems have arisen because the individual who was to use the information produced by the system was not given enough consideration in systems design, and as a result, computer output products did not meet the actual needs of specific users. Failure to tailor output products to users can lead to non-utilization of the system by the people it was intended to support. Figure 5 defines the components of an information system and their relationships. It is important to note the feedback loops between the user or human element of the system and other system components.

Phased Implementation

There is no general strategy that can be defined for automating tasks within the urban government. Systems designers have learned, however, that conversion to automation initially takes much longer than anticipated because of problems with interfacing hardware, software and human users, who also create competing demands for implementation priorities. A guideline for implementation would be to phase systems development so that, initially, a minimum data base supports a maximum number of users (applications). For instance, widespread application of land use files in planning, taxation, and operations makes these files candidates for early computerization. Other

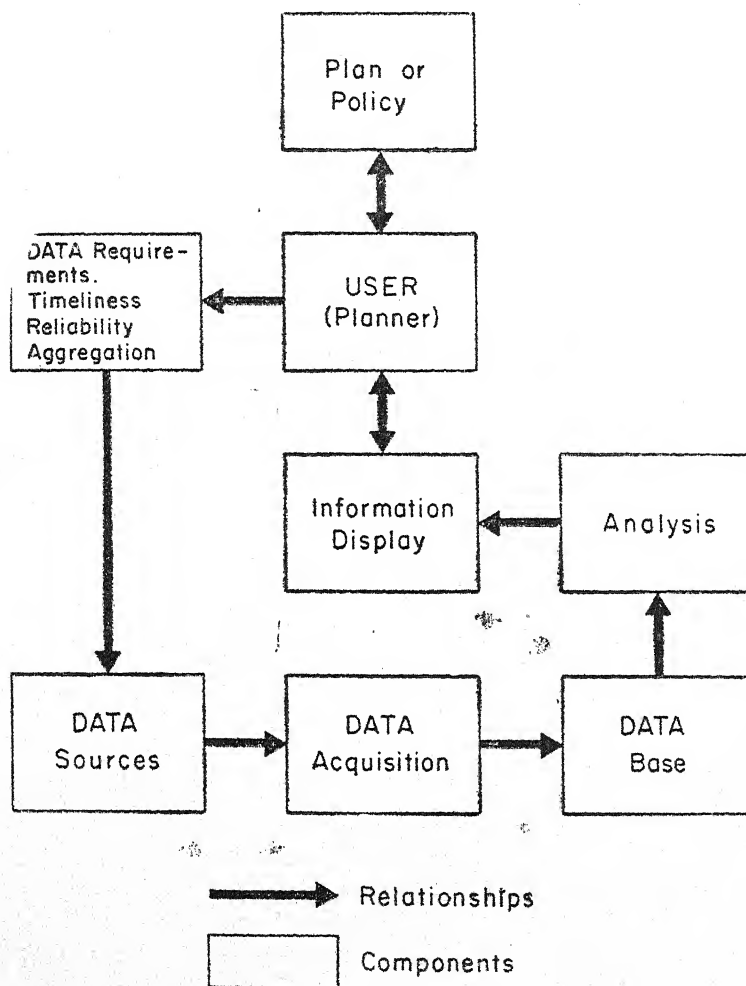


Fig. 5. Components and relationships within an urban information system. Note the feedback loops within the system.

candidates are census data series which provide insight into the socio-economic make-up of the city, and transport surveys which aid in transport analysis. If the initial application is successful, demand for further automation usually dictates how the system expands. In light of this, long range computer plans are difficult to structure, and if strictly followed, they can result in systems development which does not meet the most pressing data needs of the government. Urban information systems should retain flexibility, and this would seem to be particularly true in developing nations.

ENVIRONMENT FOR IMPLEMENTATION IN INDIA

Since the Government of India recently expressed interest in a computer-based information system and requested United Nations' assistance in evaluating the feasibility of such a system within the country, a survey was conducted during January 1977 under the sponsorship of the United Nations Office of Technical Cooperation and the Government of India Town and Country Planning Organization (TCPO).⁵ The urban portion of this survey involved discussion with urban planners, policy makers and technicians in four cities: Delhi, Bombay, Madras and Calcutta.

At the present time, no metropolitan area has a programme to implement a computer-based information system. Studies of technology available in India, however, indicate that both computer hardware and software capability for these types of information systems are available in India. To illustrate, there are over 500 computer mainframes, and several of them were reported to be underutilized. Clearly, computer availability would not seem to be an immediate problem. In the case of computer software, no segment-oriented file software has been developed in India, but the U.S. Bureau of the Census has exported segment-oriented file software at a minimum cost, and corporations, such as IBM, sell such software packages.⁶ Also, the United Nations, Centre for Housing, Building and Planning, has available a software package, Composite Mapping System (CMS), which allows geoprocessing of multiple types of data into cellular files in contrast to segment-oriented files.⁷ In sum, implementation of urban information systems does not seem constrained by either hardware or software availability.

Personnel limitations do exist, in that few people within the country have training in urban information systems technology. This is a serious shortcoming, but one easily rectified through such organizations as Data for Development and the United Nations Development Programme. Based on interviews conducted in major Indian cities, there is considerable interest in information systems and computer processing of urban data but a reluctance to take the necessary steps to begin the transition from manual to computerized systems.

Delhi. Interviews with personnel in the Delhi Administration reveal its unique situation—being the National capital, it is administered similar to a State rather than an urban area. Administrative relationships are complicated

⁵ Coiner, Jerry C. *Feasibility of Information Systems to Support Planning Functions in India*, New York, United Nations, Centre for Housing, Building and Planning, 1977.

⁶ I.B.M. Corporation, *Geoprocessing in the City of Long Beach*, New York, IBM Corp., 1975.

⁷ Federation of Rocky Mountain States. *CMS II Composite Mapping System Documentation*, Denver, Colorado, Federation of Rocky Mountain States, 1975. Federation of Rocky Mountain States. *CMS II Users Manual*, Denver, Colorado, Federation of Rocky Mountain States, 1977.

by the co-location of the National government. As an example, the Centre TCPO prepares the master plan for Delhi. Because of its unique administrative situation, Delhi has the opportunity to automate data collection, as have other State and the Centre governments in India. Nevertheless, data collection is predominantly manual in Delhi, and although the scope of the data may be wider than that generally available to the other urban areas, it lacks timeliness. Land use data are not generally available and no central land use file exists.

Bombay. Bombay metropolitan region has several overlapping government organizations which are interested in the use of a computer information system. However, no single organization has been designated to be responsible for the effort. This has led to interagency rivalries, and confusion has resulted over who is responsible for systems development. The Municipal Corporation of Greater Bombay has an operating computer facility, but their main concerns are inventory control, payroll and tax billing. No effort has been made to plan a unified information system for the city. Data availability is also a difficulty. Population and employment data have not been collected since 1971. The Bombay Regional Development Authority has undertaken a land use survey, but the survey is not complete and is not intended for computer processing. Neither aerial photographs nor an adequate map base are present to relate land use information from one land unit to the next. Some transport planning data were acquired in the 1960's, but they too are probably of little value because of their age. In summary, to quote a reliable official of the Municipal Corporation of Greater Bombay, "No systematic statistical effort exists in Bombay."

Madras. Madras recently sponsored a study of its urban government functions and the data required to meet those functions as part of an effort to gain a large loan from World Bank. The Madras Metropolitan Development Authority (MMDA) recognized that it could not fulfil its commitment to report on the impact of World Bank funded development projects without better and more timely data on the urban region. As a result of this effort, clearcut lines of responsibility radiating from the MMDA were defined. The study further recommended establishment of a data bank and information system for Madras and identified a series of planning research projects which would be conducted using information from the system. In essence, the necessity of information systems support to urban government was recognized by the MMDA, but the momentum or resources to initiate these systems have not yet been acquired. In addition to the studies mentioned above, Madras is creating an extensive land use file which could be automated in a GBF/DIME context if the planned information system becomes a reality. This land use file is an exception to the data normally available. Other data series are generally as inadequate as those found in Bombay or Delhi.

Calcutta. The situation in Calcutta does not vary drastically from that found in other large metropolitan areas in India. Although the organizational

structure is much clearer than in the Bombay case, data requirements seem greater with less data available. Two comments made during interviews highlight the dilemma: (1) estimates of informal sector activities are based on 1958-59 survey data; and (2) no census of the pavement dwellers exists. These data problems are compounded by a lack of maps and security classifications on the few map products that are produced. Data processing is not now being used by any of the metropolitan agencies in the Calcutta metropolitan area.

EVALUATION AND RECOMMENDATIONS

In the preceding sections, critical preconditions for information systems implementation were identified, namely, governmental organization and data availability. The question now raised is: How well are these preconditions met in the case of the large Indian cities? As evidenced above, lack of the critical preconditions of governmental organization and data availability impede implementation in three of the four Indian cities discussed here. At present, urban data collection and planning are project-oriented with little cooperation or coordination between planning and operating agencies within the municipalities. This low level of cooperation is compounded by a general dearth of systematic data about the urban areas. None of the major areas have socio-economic data series that are later than the 1971 Census. Some support survey data are available, but they are not complete. Also, with few exceptions, land use information is unavailable. Both Bombay and Madras are attempting to conduct land use surveys, and these could provide basic inputs to computer-based land use files.

It is apparent from these interviews that of the four cities visited, only Madras has given serious consideration to information systems approaches to urban planning and other governmental functions. The Madras effort, however, must be seen in perspective—it is still in a conceptual stage and problems of data to support the system still exist.

When compared with information system development in North America or Western Europe, the major difference in the Indian situation is the problem of data availability. To effectively utilize information systems in the context of a developing nation would seem to require more emphasis on data acquisition than has been customary when implementing systems in more developed countries. Furthermore, the need for data exists outside the requirement for information systems, and information systems may make data collection more efficient by rationalizing it and eliminating duplication between agencies.

Governmental organizational problems are common to all forms of government at all levels of development. They are more blatantly exposed in an information system context because system designers must ask questions about organization that are usually not explicitly stated. Organizational problems identified in the municipal areas in India are no worse than those found in American cities, for example, or cities in other developing countries, but they should be addressed in the initial phases of information system

development. Without a clear understanding of the organizational framework, the system designers and the system created will not focus on the information needs of the urban government.

Initial survey results, such as those presented here, must be tempered by recognizing the limited scope and selective nature of both the interviews and subject matter covered. If the Indian government wishes to proceed with information systems development, problems are not in the computer hardware or software to support the effort, but in providing a data base and organizational structure which could make the urban information system viable. Since questions of governmental organization and data availability must be faced to gain any improvement in the quality of urban government, it would seem rational to approach these issues with the thought of gaining an even greater measure of improvement by linking the most flexible technological frame to their solution—the urban information system.

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Urban Development—by Choice or by Compulsion

M.S. MAITRA

INVESTMENT decisions on urban infrastructure have seldom been free from debate, more so in a resource scarce situation. Even in conditions of utter urban chaos and confusion, investment decisions to arrest further deterioration and decay have not been spared the criticisms they did not perhaps deserve. Polemic critics have found in the investments ageold attempts to accentuate concentration of economic power in the cities and to perpetuate the colonial model of parasitic exploitation of rural surpluses with consequent impoverishment of the villages, larger income disparities between town and country, higher rate of rural-urban migration, overstraining of augmented urban services by flow of new migrants and more investments for urban services—a vicious circle and a vortex with a bottomless depth. These arguments would continue to have relevance so long as our national average for urbanization remains at a low level, which as of 1971 was about 20 per cent and may just cross the 30 per cent mark by the turn of the century. The urban lobby can hardly make its voice heard in political forums against its rural counterpart with a much higher numerical strength. But its economic strength can hardly be denied—more than half of the country's G.N.P. is accountable to towns and cities. Urbanization *per se* is not an evil—it is still the indisputed vehicle for faster economic growth and social change. The hard truth is that urbanization is irresistible and would take place inspite of a stronger rural lobby and larger rural investments. And it is not undesirable if the country has to achieve a higher rate of growth. What is to be contained is not urbanization but uncontrolled urban growth. On the other side of the coin the urban development protagonists have their arguments, which can hardly be brushed aside:

- Urbanization offers by far the most important opportunities for increasing employment, output and savings and consequently increased possibilities for future investments in both town and country.
- Concentration of population in cities and towns makes it easier to render educational and health services at a standard not possible in rural areas mainly because of distance and sprawls.

- Urbanization provides the markets for agricultural products and urban activities supply agricultural inputs and incentive goods and create the necessary conditions for increasing productivity and promoting modernization of agriculture.
- In a situation riddled with population explosion and high rate of population growth, the faster the rate of urbanization, the sooner a declining rate of population growth is achieved.
- Available evidence though scanty do not confirm the conclusion that rural development reduces migration to urban centres appreciably. Accelerated growth of agriculture, though very important, does not, as a rule, imply substantial reduction in rural-urban migration. Acceleration in growth of labour force is not likely to be offset by higher agricultural production.
- A national average annual growth of about 2.7 per cent in labour force for being absorbed in productive employment would call for an annual rate of employment creation of about 2.5 per cent in rural areas and nearly 4 per cent in urban areas at current growth rates in rural and urban population. In absolute terms, the number of additional rural employment needed would be about three times the urban because of a very large starting base for the rural areas. The implications are obvious. With the rise in agricultural output and growing at a rate faster than population (as is currently postulated for the country), a greater concentration of investment in urban areas is indicated, but obviously of a pattern different from that has been practised so far. Comparative cost of creating additional urban employment in terms of output—both economic and social—may turn out to be more attractive than for rural development projects. Equating urban occupation as a whole with high capital-intensive industrialization would be an over simplification.
- Available evidence tends to show that impetus to migration to cities and from smaller urban centres to larger ones would increase rather than decrease with higher rural amenities, *e.g.*, extension of educational facilities, better communications and spread of information media and enlarged contacts with urban type amenities. The level of rural amenities needed to create any significant impact on migration and to curb it (that also for a marginal fraction of the rural population) would call for gigantic efforts spread over several decades. The basic question really is not one of how many should remain in urban areas; but how few are needed in agriculture.
- Urban poverty is no less intolerable than rural destitution. Degenerated living in urban slums and sub-human urban settlements account for a total population of about 35 million—over 6 per cent of the country's total population. Can this not too insignificant a segment of the population, be totally ignored just because they are not fully equipped

to sustain competitive urban living? Should they be written off as misplaced human stock and condemned in the struggle of the 'survival of the fittest' according to the nineteenth century doctrine of 'Social Darwinism'?

A greater shift in emphasis on rural development or on urban development can not by itself produce a panacea. Any one of them can not be viewed in isolation. Complementary actions are called for in the rural-urban continuum formed by agricultural firms, rural settlements, market towns, intermediate centres, cities and metropolis to secure the best utilization of national resources. The rural-urban dichotomy is in reality of no consequence: it is confined merely to polemics. The genuine difficulty, however, lies in striking the correct compromise between higher economic returns on projects and considerations of greater equity. Here the decision maker faces the stern reality that return potential on investments is higher where a favourable infrastructure is already in existence and thriving economic superstructure has already been established over it. Equity considerations on a national plane seldom secure satisfaction at State and local levels. In a vast country like India, with a large assortment of varied interest groups, resource allocation for development activities is by no means simple. Vast multitudes of people below the poverty line, handicapped by low level of literacy and nutrition, bedevilled by deep-rooted superstitions and fatalism and sapped by traditional agrarian value systems and culture; all together make heavy calls on the already scarce resources for development of the human stock. In economic terms the returns on investments on physical developments would have been much higher had the 'human stock' developed faster and acquired the appropriate 'pay-off' level. Severe backwardness and gross imbalances still persist in many parts of the country and a major shift of resources for urban development *per se* is not likely to be witnessed in the country for the next two/three decades. Underdeveloped rural areas would remain disproportionately large till then and major investments in urban development would continue to be inhibited by the very nature of their concentration in certain centres of a large country. The basic questions associated with investments on physical developments are—where, how much, at what time, and for whom. The main issue which we would like to pose is—has the resource allocation to urban development been commensurate with urban growth during the last decade and do the current trends suggest future allocations at a rate consistent with projected growths during the next three decades and compatible with the overall development goals for the nation? National goals in broad qualitative terms are not difficult to enunciate. There can hardly be any controversy on the two major goals spelt out—attainment of economic self-reliance and eradication of poverty—within our own set of national values—democracy, secularism and socialism. A national consensus on the formulation and coordination of the instruments of economic policy required for attainment of the objective

is also not very difficult to secure. The 20-point economic programme enunciated by our Prime Minister on the 1st July, 1975 is the case in point. But when it comes to identifying the development plans and projects in physical and quantitative terms and allocating resources for them within a spatial, temporal and institutional framework, the area of controversies and contradictions gets enlarged and the acceptance gap gets widened. This primarily stems from our development model. The main dilemma is—while the modernization ideology can not be abandoned in the global context, the technology base for modernization is both resource and time consuming and the pace of transformation of a traditional society like ours has not been commensurate with the modernization process to make the best use of it. Our development model has so far been a blue-print copy of the western industrialized society and dictated by their experiences—it wrongly assumed that development has to be attained through a series of well-defined stages only through incremental gains in gross products and development is to be measured by the G.N.P. and further that the state of well-being of an average man is quantifiable in terms of per capita income. The relevance of G.N.P. and statistical per capita income ascribed to common masses in a vast country like India with severe regional imbalances and large concentrations of poverty and backward areas, is totally illusory. Even with rise in G.N.P. the quality of life of the majority of the population is gradually on the decline. At issue, therefore, is the central point—in a situation where doubling of population is postulated in a single generation, can development planning be purposeful without consideration of a settlement policy within spatial dimensions? where this additional population would live and how they would be employed, fed and sheltered? is a development model worth pursuing which has not been built around a strategy having human settlements and the quality of life for the most deprived sections of the population as its principal focus?

The development pattern for human settlements—rural and urban—and their levels of infrastructure and services would in a large way determine the resource allocations. Here the decision maker is confronted with the complementary constraints—the basic limitations in the availability of resources and high cost of providing conventional infrastructure and services. Having both low income levels and high population growth the squeeze between the constraints becomes all the more intense. One of the most urgent and onerous tasks before the planners is to evolve a low cost development pattern which can presently secure the minimum needs at a cost compatible with the resource availability and value systems of the vast multitudes of the deprived strata and would not pre-empt future options for higher levels of services with progressive acquisition of higher economic means and values. Enhancement of human creativity rather than its suppression should constitute the keynote of development planning for human settlements. 'Instant development' should be substituted by 'progressive development'—grandiose, prestigious, monumental structures should be replaced by simple functional ones to hasten the

flow of benefits—even for long gestation projects in stages. The benefit streams must be identified and spelt out in a time-investment-space frame and propagated amongst beneficiaries in a language they understand. The dilemma between 'need-based' planning and 'resource-based' planning mainly stems from the fact that the vast human resources in a dormant state are yet to be energised; and the 'needs' are assessed and attempted to be satisfied through services and assets created by professionals according to their own profession-specific notions. Assessment of community needs must be backed by expression of popular will established through surveys and not by value judgments of professionals and even politicians. With more realistic determination of the 'felt-needs' and higher popular support and participation in realization of needs—ultimately leading to more effective utilization of the services and assets created, would in a large way narrow down the 'need-resource gap'. The only acceptable test of a public action programme would, therefore, be an appraisal of the extent by which the various social groups served by the programme are better off and their level of satisfaction. The effectiveness of public investment can only be meaningfully tested by evaluating the outputs, social and economic, and not the inputs.

If optimization of resource use be the principal national objective, there seems to be hypothetically little room for disputes on resource allocations between rural and urban development as between agriculture and industries sectors. Both are complementary to each other and none can flourish if the other stagnates. When we talk of development, we think in terms of certain physical targets of growth over a given span of time. Some of them are quantifiable in statistical terms like mileage of roads and other communication networks, area brought under irrigation, number of families covered by family planning programmes, gallons of drinking water supplied, amount of loans advanced to farmers by cooperative societies and banks, etc. But these are truly inputs—monetary resource inputs converted into infrastructural facilities and services which in their turn are to contribute to the growth of products and the economy as also incomes. The latter are also quantifiable in monetary terms, but the variance in outputs in response to almost identical inputs in two given areas, is not that easily accountable. The variance is no doubt on account of differential productivity and community efforts. While it is acknowledged that the level of community efforts is largely dependent upon the quality of human stock—its level of literacy, health and productive power and the general level of satisfaction with what it gets back from the economy, it is also to be recognized that the quality of environment in which the community lives and works and the level of social overhead stock have their share of contribution to the productivity. The precise determination of the levels of the social overheads as would take care of the differential productivity and relate its commensurability with the investments, is still in the realm of guesswork of professionals in the absence of adequate data for such social accounting. The level of community satisfaction *vis-a-vis* its needs is again a

difficult variable to tackle. This again is conditioned by the value systems of the community. While there could be some degree of uniformity and homogeneity in the value sets of rural communities, because of deep-rooted traditions and very slow rate of social change, a similar coherence or uniformity can hardly be conceived within and between urban communities. It is difficult to visualize a community which shares common interest in the city system. A metropolitan community is in reality a myth. The social communities are non-territorial in character and their interactions and affinities are not affected by location barriers. Each community has its own set of values which may even compete or clash with other value sets of other communities. It is thus doubtful if a proper assessment of the community-wide needs conforming to community goals can be made at all with some degree of precision. In an urban situation we are thus confronted with the basic question—what would be the planning-implementation-evaluation system which would provide adequate scope for purposeful interactions between multiplicity of community values and planning hypothesis and ideas, and establish a reasonable fit between hypothecized course of actions and value-sets and also facilitate continuous evaluation and feedback of the demonstrated effectiveness of each urban sub-system against explicitly enunciated goals and welfare-returns?

Goals of a society are set in broad terms against a time frame. In order to be realistic and achievable, they must take into account the social, economic and political scenario obtaining at the time of goal-setting and progressively developing at different stages of development. Goals can not, therefore, be static and uniform for all societies—they would obviously have relevance to the current development status in terms of quality of life and societal values and reflect the aspirations of the society consistent with its developing means and values. The goals of a developing country like ours are thus not comparable and will have little in common with those of the developed nations—and neither the means of attaining them nor the strategy employed. While for the top ten highly industrialized nations with levels of urbanization varying between 80 per cent and 90 per cent the national goals should be more or less coincident with their urban goals; the case will be different with the developing countries with urbanization level below 25 per cent—the urban goals for the latter must fit in with the national goals and subserve its equalization objectives. While equalization objectives have to be pursued for a country of India's size and diversities, at the cost of growth in the GNP, the assumption that a fast rate of growth of economy alone will by itself as a corollary create more and fuller employment, eliminate abject poverty and lead to better living standards for the poor, has been fully belied. The hypothetical conflict between growth and social justice stems from the assumptions based on western experience of industrialization and urbanization—these do not hold good for Indian conditions.

Cities by themselves constitute a resource and the case for their intensive utilization towards creation of more wealth for being applied to the

well-being of the deprived section can not be shelved only on the ground of higher economic concentration in cities. Cities grow and exist for higher order functions and necessarily higher incomes with savings. In a resource scarce situation the nation can hardly afford to allow the cities to degenerate into a spent out entity. But the city must establish its case—it must give back to the economy much more than what it receives from it. Even if the city's case is recognized and resources are earmarked for it, how they would be allocated between contending cities? What should be the criteria for determination of priority areas for urban investments? How should the investments be correlated to the overall performance of the city in regard to the productive power of its citizens and output in terms of employment, incomes, and savings? Can a set of reliable indicators be evolved to help rationalize the resource allocations between contending cities and within cities to satisfy urban development objectives within an overall perspective framework of national goals?

The choice and design of comparative urban indicators is a complex matter. While there should be a set of simple urban quality measures designed to minimize the role of intuition, hearsay and individual value judgments as the major factors for decision making and design of governmental programmes, they must be presented in a manner and form as would admit the least misinterpretation and misuse. There are obviously severe limitations because of inadequate data and information.

Understandable simplified indicators are those primarily intended for communication to a large audience the state of urban conditions, formulation or evaluation of public investment programmes requires an information base of much bigger width and depth than provided by the simple indicators. The suitability of a given set of urban indicators is not uniform for all urban conditions and development goals. The quality categories intended to be focused for a given urban situation may not have relevance or equal importance in another situation; for instance, quality categories like level of air or noise pollution has little relevance in our present urban conditions and levels of urban living, and similar is the case of level of water supply and sanitation in relation to developed countries where desirable standards have already been achieved for many of the quality categories. For each quality category again, there could be more than one measure or indicators. The selection of the appropriate indicator would be largely dependent upon the values the community attaches to the quality in question and the different aspects of it. The search of a transportation indicator, for instance, would involve a choice amongst the various quality aspects like cost of transportation—its monetary cost, travel modes and time, overcrowding, waiting, route coverage, etc. While monetary cost of transportation may *prima facie* appear to be a catchy and useful indicator to give a measure of what it costs families, with similar life-styles to provide transportation they need; it is a measure of only one aspect of transportation and may not even reflect the other aspects—

cheap transportation as in Calcutta, compared to other metropolitan cities, may be attended with lack of convenience and comfort. Cost of transportation component in the family budgets can be a worthwhile indicator, where the overcrowding and waiting aspects have been satisfactorily taken care of, as in some of the advanced countries. Same is the case with Housing—cost of housing as an indicator fails to depict the housing conditions obtaining in Calcutta, while it may have some relevance for other western cities. Selection of only one indicator for each quality category may not, therefore, truly spell out the conditions of urban living as intended to be focused.

Selection of a wide spectrum of urban quality considerations is also influenced by availability of data. Some of the quality considerations are relatively objective and some more subjective in nature. The endeavour should be to measure the conditions, on the output side, that is, what actually are the urban conditions rather than how much investments have gone into what activities to improve the quality of living. Conceptual and data limitations, however, result in our measuring certain aspects of the 'standard of living', rather than the 'quality of life', which does not only mean measurements of various 'amenities' but also evaluation of the manner in which the people 'perceive' the conditions under which they live. Means have to be investigated and evolved for combining measures of citizen's perceptions, with measures of existing conditions to make the description of conditions more meaningful and valid in different situations with differing value system and levels of perception and satisfaction. The choice of 'scale' on which urban indicators should be developed is also a disputed area. Should it be done on a metropolitan scale, when it is recognized that great disparities exist between the central city and suburbs and other intra-metropolitan divisions? Selection of metropolitan area as the primary basis of analysis, may easily lead to concealment of the disparities not merely in conditions of living, but also in the level of perceptions. While availability of data may be the deciding factor to make a beginning with the metropolitan area, the differences between central city and suburban areas as also specific areas (at patently low levels of living) should be highlighted to bring into focus the enormous disparities in urban living and the changes that are being brought about towards levelling off by the urban development process. Annual per cent changes could be used as a measure of changing conditions, but this could be too short a period to detect significant trends. Subject to availability of data, a five-year annual average rate of change would be a more realistic measure. This form of measurement, however, tends to give the appearance of a much larger change in areas having the lowest measured levels, for the same absolute change. For example, in areas with lower unemployment rate levels, a given increase in the unemployment rate would give the impression of a larger rate of change. A balanced appraisal of changing conditions is however secured by examining the absolute numerical size of the change in the quality category being measured and the numerical change in the rate itself, along with the percentage

change data. In order to make the study more acceptable and interesting to a wider spectrum of readers, the cities under study can be ranked for the different urban quality categories to show the degree of differences among them and to indicate their trends individually; say for Calcutta: how do the recent conditions compare with those in the recent past, in which direction have the indicators been moving during the last 5 years, how do recent conditions compare with those of other selected cities in the country, how do recent rates of change for a given set of conditions compare with those in other selected cities? What is basically aimed at is to provide a quantitative dimension to certain urban conditions and the direction and degree of the changing conditions, in order to focus attention on specific issues and to initiate further studies in depth to explain why such conditions exist, to suggest how these can be improved and help evolve a rationale for specific programmes and investments in major cities—in short to use these as a tool for realistic urban planning and pragmatic decision-making.

What kind of urban indicators should we select for cities under Indian conditions? What are the quality categories which are most appropriate for presentation in our situation? Bearing in mind that the purpose of the study should be to establish a rationale for urban development and inter-city and intra-city allocation of country's resources, mainly with a view to optimizing the resource use; the main thrust of the measurements will have to be on productivity, employment, incomes and savings and the urban conditions which tend to retard or lead to their enhancement.

The quality categories could be broadly classified under three Groups:

- (a) State of productivity, orderliness and incomes;
- (b) Contributory physical conditions and social overheads; and
- (c) Community values and attitudes.

Some of the more cogent ones under the three groups are:

<i>Group (a)</i>	<i>Group (b)</i>	<i>Group (c)</i>
Unemployment	Educational attainment	Community concern
Poverty	Occupational skill	Citizen participation
Income	Health and nutrition,	Community efforts
Productivity	Population pressure	Ethnic equality
Public Order	Transportation	
	Housing	
	Sanitation	

The choice of appropriate indicators for the above quality categories is not without controversies. Nevertheless, a set of indicators (with

alternatives) are listed below for the 16 quality categories shown above:

<i>Quality Category</i>	<i>Indicator</i>
Unemployment	.. Per cent unemployed.
Poverty	.. Per cent of households below subsistence level
Income	.. Adjusted per capita income
Productivity	.. Value added per worker
Public order	.. (a) Reported violent crime rate (b) Reported loss of public property through public agitations, civic strifes, etc.
Educational attainment	.. Median school years completed by persons 25 years and older.
Occupation skill	.. Median vocational training duration completed by workers 25 years and older in the organized sector.
Health and Nutrition	.. Infant mortality rate
Population pressure	.. Average density per acre
Transportation	.. (a) Average peak hour traffic volume/capacity ratio on selected surface transit corridors (b) Period of waiting at peak hours at busiest traffic nodes (c) Per cent road area of total build-up area or transit corridor space per capita (d) Average travel speed of mass transit vehicles at peak hours (Km/hour) (e) Average cost of transportation per passenger per Km.
Housing	.. (a) Occupancy rate—rooms per family/persons per room. (b) Overcrowding—floor space per capita (c) Environmental quality—per cent living in Slums and squatters' settlements. (d) Shelter stability—per cent living in shacks and temporary structures. (e) Tenure status—per cent of renter families (f) Overt houseless population—per cent population living more than 12 months on city's pavements.

<i>Quality Category</i>	<i>Indicator</i>
Sanitation	.. Per cent population uncovered by sewerage and/or safe water supply systems.
Community concern	.. Degree of response to fund raising campaign—per capita contribution to united funds raised by voluntary and charitable institutions within given solicitation areas.
Citizen participation	.. (a) Per cent of electorate voting in civic polls/general elections for city constituencies (b) Per cent enrolment (average of three consecutive years) of voluntary citizens' organisations/community clubs and associations functioning to secure community welfare through self-help and public aids.
Community efforts	.. (a) Per capita civic tax (b) Per capita expenditure by voluntary organisations on community welfare services
Ethnic equality	.. Non-State origin/State origin unemployment ratio.

The direction of movement of the indicators, during the last 5 years, for the major cities like Calcutta, Bombay, Madras, Delhi, Ahmedabad, Kanpur, Nagpur, Poona, Hyderabad, Bangalore and Lucknow and performance of each city relative to the average (mean) rate of change of the eleven cities over the same period, would provide interesting clues to the evolution of a rationale for investments in them in the larger national context.

Let us first examine the eleven major cities in relation to their central city population. In the Table at page 24, the central city population has been taken as that covered by the Municipal Corporation/s in that city, and the ratio it bears to the total population in the respective metropolitan area or urban agglomeration has been expressed in percentage. While this gives a rough idea of the spread of urban growth around the central city and to some extent the degree of variance in living standards and value sets between the central city and suburban population in the respective metropolitan area or urban agglomeration; it does not indicate the spread of the central city itself and also the disparities in living and value differentials within the central city. An analysis of the distribution of civic amenities amongst the central city

population and their socio-economic stratification would thus be highly revealing.

<i>Urban agglomeration/ Metropolitan Area</i>	<i>Population (1971)</i>	<i>% Central city population</i>	<i>Rank</i>
Calcutta	7,031,382 (UA)	55*	10
Bombay	5,970,575 (Greater)	54	11
Delhi	3,647,023 (UA)	98†	1
Madras	3,169,930 (UA)	78	8
Hyderabad	1,796,339 (UA)	89‡	7
Ahmedabad	1,741,522 (UA)	91	5
Bangalore	1,653,779 (UA)	93.2	2
Kanpur	1,275,242 (UA)	90.5	6
Poona	1,135,034 (UA)	75	9
Nagpur	930,459 (UA)	93	3
Lucknow	813,982 (UA)	92	4

The direction of movement of the indicators for each of the eleven cities may be expressed as shown in Table 1—a specimen for Calcutta.

Rank of each Metropolitan area relative to the eleven metropolitan areas in respect of all the sixteen indicators can also be expressed as shown in Table 2—a specimen for Calcutta.

The rate of change of any Metropolitan area relative to the average (mean) rate of change of the eleven selected areas over the past 5 years can also be expressed as shown in Table 3—a specimen for Calcutta.

A city-suburban analysis to exhibit the level of disparities may also be presented as in Table 4 in respect of any one of the indicators. We present here a sample of the analysis for the unemployment indicator with figures of unemployment rates assigned on a notional basis to the above selected areas, just for the purpose of demonstration of the organization and format of presentation.

* Derived from population in Municipal Corporations of Calcutta and Howrah.

† Derived from population in Municipal Corporation of Delhi and New Delhi Municipal Committee.

‡ Derived from population in Municipal Corporation of Hyderabad which includes Secunderabad.

Table 1

<i>Direction of change</i>	<i>Quality category</i>	<i>Indicator (years compared)</i>	
Improving trend	Productivity	Value added per worker	('71-'75)
	Income	Adjusted per capita income	('71-'76)
	Public Order	Reported violent crime rate	('70-'75)
	Health and Nutrition	Infant mortality rate	('70-'75)
	Transportation	Average travel speed of mass transit vehicles during peak hours	('70-'76)
	Sanitation	Per cent population uncovered by sewerage and/or safe water supply systems	('71-'76)
	Community concern	Per capita contribution to united fund	('70-'76)
No significant change	Poverty	Per cent households below subsistence level	('70-'75)
	Educational attainment	Median school years completed	('70-'75)
	Occupational skill	Median vocational training duration completed	('69-'75)
	Population pressure	Average density of population per acre	('71-'76)
	Ethnic equality	Non-State/State origin unemployment ratio	('71-'76)
	Citizen participation	Per cent enrolment of voluntary citizens' organizations/associations, etc.	('71-'76)
Deteriorating trend	Unemployment	Per cent unemployed	('70-'75)
	Housing	Floor space per capita	('69-'74)
	Community Efforts	Per capita civic tax	('69-'75)

Note: (a) Calcutta is not being compared with other areas in this table.

(b) A 5-year annual average rate of change should be sought for. The years shown are only illustrative, and will depend on availability of data.

(c) 'No significant change' or 'unchanged' condition are taken as those where the rate of change of Calcutta's performance varies from zero by less than ± 10 per cent of the range of the rates of change for all the eleven selected metropolitan areas.

A summary of comparative performance of the selected metropolitan areas may also be presented in the format given in the Annexure.

Similar summary tables can also be designed to exhibit intra-metropolitan levels of performance in respect of the selected metropolitan areas for a presentation of the relative standings (for the latest years) of metropolitan areas, central cities and suburban areas.

Table 2

<i>Quality category</i>	<i>Indicator</i>	<i>Calcutta's rank</i>	<i>(Year reported)</i>
Unemployment	Per cent unemployed	10th	(1975)
Poverty	Per cent households below subsistence level	5th	(1975)
Income	Adjusted per capita income	3rd	(1976)
Productivity	Value added per worker	4th	(1975)
Public Order	Reported violent crime rate	4th	(1975)
Educational attainment	Median school-years completed	4th	(1975)
Occupational Skill	Median vocational training duration completed	3rd	(1975)
Health & Nutrition	Infant mortality rate	5th	(1975)
Transportation	Average travel speed of mass transit vehicles during peak hours	8th	(1976)
Housing	Floor space per capita	6th	(1974)
Sanitation	Per cent population uncovered by sewerage and/or safe water supply systems	5th	(1976)
Population Pressure	Average density per acre	10th	(1976)
Community Concern	Per capita contribution to United fund	2nd	(1975)
Citizen Participation	Per cent enrolment of voluntary citizens' organisations/associations	1st	(1976)
Community Efforts	Per capita civic tax	4th	(1975)
Ethnic Equality	Non-State/State origin unemployment ratio	1st	(1976)

Note: The lower rankings represent more favourable conditions. The year is only illustrative and should be the latest for which data are available.

An attempt has been made in this paper to present in the first place a scenerio for an appreciation of the contradictions, conflicts and constraints in pursuing our urban goals and to show later by illustrative tables, the information base a set of indicators appropriate for our conditions can build up and the opportunities it offers to analyze the urban scene in a more comprehensive fashion. The information base provided by the comparative urban indicators, complemented by other data, can be utilized with advantage to rationalize investment decisions on urban development. The primary task obviously is to identify the role of each city or metropolitan area in the economic life of the country and its contributions to the national economy. The questions that follow are—is it performing the role efficiently and if not what are the factors impeding its performance? What are the specific areas which call for pointed attention to help regain its vitality and perform better? Which of the cities in the national chain should be given higher priority for remedial treatments in the overall national interest? What

Table 3

<i>Area</i>	<i>Rates of change</i>	<i>Quality category</i>	<i>Indicator</i>	<i>(Years compared)</i>
	Improving faster than the average (mean) of the eleven areas	Public Order	Reported violent crime rate	(70-75)
		Health and Nutrition	Infant mortality rate	(70-75)
		Sanitation	Per cent population uncovered by sewerage and/or safe water supply systems	(71-76)
C	Deteriorating slower than the average (mean of the eleven areas	Population pressure	Average density per acre	(71-76)
A		Community efforts	Per capita civic tax	(69-75)
L				
C				
U				
T	Changing at about the average rate	Poverty	Per cent households below subsistence level	(70-75)
T		Educational attainment	Median school years completed	(70-75)
A		Occupational skill	Median vocational training duration completed	(69-75)
	Deteriorating faster than the average (mean) of the eleven areas	Unemployment	Per cent unemployed	(70-75)
		Housing	Floor space per capita	(69-74)
	Improving slower than the average (mean) of the eleven areas	Income	Adjusted per capita income	(71-76)
		Productivity	Value added per worker	(71-75)
		Transportation	Average travel speed of mass transit vehicles during peak hours	(70-76)

Note: The rate of change for a particular indicator is defined as 'average' if it varies from the average rate of change of all eleven areas by less than ± 10 per cent of the range of values of the rates of change for those areas.

are the long-term prospects in relation to its future role and level of performance? It thus amounts to making a choice—and a choice which optimizes resource use. The choice has to be made between two extremes of quality scales—a buoyant city with high promise for wealth creation and a stagnating

Table 4

1975—UNEMPLOYMENT RATES
(An Unemployment Indicator)

<i>Met: Area/U.A.</i>	<i>Metropolitan</i>	<i>Central city</i>	<i>Suburban</i>	<i>City/Suburban ratio</i>
Calcutta	15% (11)	18% (11)	12% (11)	1.50 (8)
Bombay	10.5% (8)	14% (10)	7% (3)	2.00 (11)
Delhi	8% (2)	10% (2)	8% (5)	1.25 (5)
Madras	11% (9)	12% (6)	10% (9)	1.20 (4)
Hyderabad	9% (5)	13% (8)	6.5% (2)	2.00 (10)
Ahmedabad	7.5% (1)	10.5% (3)	6.0% (1)	1.75 (9)
Bangalore	8.5% (3)	9.0% (1)	8.5% (6)	1.06 (1)
Kanpur	9.5% (5)	11.5% (5)	7.5% (4)	1.53 (7)
Poona	9% (4)	13.5% (9)	9% (7)	1.50 (6)
Nagpur	11.5% (10)	12.5% (7)	11% (10)	1.14 (2)
Lucknow	10.0% (7)	11% (4)	9.5% (8)	1.16 (3)
11 City (average)	9.95%	12.27%	8.64%	1.46%

Note: (a) Rankings are shown in parenthesis.

(b) Lower rankings represent more favourable conditions.

(c) Unemployment rates are imaginary and only illustrative.

city with conflicting land use, overburdened infrastructure, underutilized productive capacity and dwindling productivity. When the choice falls on the latter, it is in recognition of its past performance and future potential but the element of compulsion in the choice made, can hardly be denied. The choice though under compelling circumstances, must have been made with certain expectations and even could be at the cost of others. The city thus chosen must live up to the expectations. A selective use of the indicators may provide the logic for the choice and bring out the qualitative and quantitative changes envisioned, to justify the choice and also the information base for monitoring the performance over a span of time. Calcutta, for instance, acquired international notoriety as a city of chaos, confusion and conflicts, filth, squalor and refuse; and as a 'case-study' in degeneration from one-time supremacy through long neglect and inaction, sought to be corrected by massive national efforts for resurgence. How bad was the situation and how strong was the Calcutta case *vis-a-vis* others, for the large investments allocated to it for the revival efforts? The indicators can provide the clues in retrospect to justify the investment decisions. They could also be employed to focus on the nation's renewed expectations from Calcutta.

Doubts are likely to be expressed about the usefulness of such exhaustive data and their time and resource consuming collection and analysis particularly in the Indian context. While it is admitted that under Indian conditions

the State of availability of dependable data and the machinery needed for their collection, compilation, collation and presentation could by itself be an inhibiting feature, the fact remains that the development resources are scarce and the demands are enormously large, requiring the most optimum use of the resources. If resources are at all to be allocated for urban development and in particular for metropolitan development, on what criteria should the size of the resources be determined and by what yardsticks the resources should be distributed amongst the metropolitan areas to secure the best use in terms of the national objectives. If it be recognized that the metropolitan areas have distinct role to play in the economic life of the country and resources are allocated on the basis of that recognition, should we not have a mechanism to evaluate and monitor the performance of the metropolitan areas in relation to the role assigned to it and output expected of it? If urban development is not to be viewed as merely providing an assortment of urban structures but to be regarded as a process to activate social change with economic growth, should we merely limit our evaluation to the physical aspects of the change in terms of gallons of filtered water supplied, cusecs of water and sewage drained, number of passenger trips transported, number of slum families covered by slum improvement programme, number of housing units added to the stock, etc.; or direct our thoughts to a measurement of the changes in social attitudes and economic life of the community that the physical changes have brought about to sustain the very process of development? Urban development loses its meaning and purpose if the urban community reaping the benefits of improved infrastructure inputs fails to respond correspondingly with higher productivity and efficiency and enriched social values—more so in a situation where vast multitudes of rural population—four times that of urban—are yet to receive the benefits of economic growth and fruits of development. While productivity is inseparable from social justice, it is futile to talk of social justice without productivity. The precise level of the quality of life and environment as would energize a community with given value systems to attain higher productivity and efficiency with corresponding changes in social attitudes is yet an indeterminate parameter. Should we in the situation, so unique as in our country, be carried away simply by the compulsions of ill-managed urban growth with attendant evils and squalor; or look for some rationality in the choice of investment decisions on urban development and more so on metropolitan development, measured not by 'inputs' but by outputs in terms of productivity, viewed in the overall national context?

A SUMMARY OF COMPARATIVE PERFORMANCE OF THE SELECTED METROPOLITAN AREAS
MAY ALSO BE PRESENTED IN THE FOLLOWING FORMAT

Met: Area/ U.A.	Unemploy- ment	Poverty	Income	Produce- tivity	Public order	Educational attainment	Occupational skill	Health and Nutrition
	Per cent unemployed	Per cent households below sub- sistence	Adj. per capita income	Value added per worker	Reported loss of public property	Median school years completed for adults	Median vocational training years for adults.	Infant mortality rate
	(1975)	(1975)	(1976)	(1975)	(1975)	(1975)	(1975)	(1975)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)

Transportation	Housing	Sanitation	Population pressure	Community concern	Citizen participation	Community efforts	Ethnic equality
Av. travel speed of mass transit	Fl. space per capita	Percent uncovered by sewerage and water supply systems	Av. density per acre	Per capita contribution to united funds	Percent enrolment of vol. organisation	Per capita civic tax	Non-State/State origin unemployment ratio
(1976)	(1974)	(1976)	(1976)	(1975)	(1976)	(1975)	(1976)
(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)

Note: (a) The summary table is intended to exhibit comparative rankings of metropolitan areas for individual quality categories evaluated separately for each area by respective indicators chosen.

(b) The years in parenthesis are only illustrative and represent the latest years of availability of data.

The Future of Urbanization in Relation to Metropolitan and Industrial Centres in the Eastern Region

ASOK MITRA

INDIA became a major backyard theatre during the Second World War. This gave an unprecedented impetus to the war effort: major industries and ancillaries were created. India enjoyed a period of almost full employment between 1943 and 1947, and was able to absorb most of the rural-urban migration that took place during this period. But since the creation of new industries and ancillaries, particularly for products that would go to the war effort, demanded sophisticated infrastructure including a large pool of skilled and literate labour supply and facilities for training labour through short training courses, most of the employment centred on large and medium cities. This was facilitated by the fact that most of these large and medium cities enjoyed advantages as transport nodes. These cities as bases of the new industrial boom very naturally swelled also as warehousing, construction, housing, trade and commerce, servicing and service centres. They sucked in and fattened on large populations of migrants from the medium and smaller towns with populations below 100,000 as well as unskilled and semiskilled low-paid labour from rural areas. After 1947 it was these selfsame large and medium cities which had thrived on the war effort that received the great bulk of displaced populations from West and East Pakistan. Those populations found it most handy to settle right within or as close as possible to the hearts of cities, not only to take advantage of the possibilities of resettlement at low cost, with the readily available infrastructure that these cities had to offer, but also because it was these cities again that could offer employment in the rising tide of demand that the war effort had generated. The large and medium cities also attracted populations mainly of skilled technicians and artisans, of those communities from the rural areas and small towns of the country who sought employment and greater safety in the larger cities—for, in many cases, the traditional clienteles of these populations had migrated from the smaller towns and cities and new clients were now to be found only in the larger urban areas. Thus, not only did the more capital intensive industries, trades, commercial ventures, construction activities and services gravitate toward the large

and medium cities; even the bulk of craftsmen, artisans and workers of traditional skill left the smaller towns for the larger cities. The whole process during the 1940's was nothing short of a sharp polarization: talent, skill and money deciding to desert the smaller towns below 100,000 as fast as possible to cities above 100,000.

The two decades 1951-71 saw an acceleration of this process. Cities above 100,000 gained in population in two ways: natural growth and immigration from other cities, smaller cities and towns and rural areas. No more than a small fraction of city populations could be accused of return migration to towns below 100,000 or to the rural areas. What is more, these cities, above 100,000 gained in population almost in direct proportion to the size with which each started in 1951. The natural growth of their populations monopolized most of the slots available for education and skill acquisition and the cream of the new jobs that these cities had to offer. At the same time, the outmigration from smaller towns, the congestion in cities above 100,000 rises in their land prices, the increasing cost of the infrastructure, coupled with the higher wages for labour, including the new city compensatory and dearness allowances, created conditions favourable for the growth of towns between 50,000 and 100,000. In fact, some of these places in this class had a higher rate of growth of population between 1951 and 1961 and particularly between 1961 and 1971 than the larger cities above 100,000. But the sum of their absolute population growth was so small compared to that of the million plus and even of the 300,000 plus cities that in spite of their high rate of growth, the sum of actual addition to the total population in this class (50,000 to 100,000) in two decades in the whole of India was well below the sum of accretion to the population of the two top cities in the country in just one decade.

II

All the States, except perhaps Haryana, Kerala, Punjab and Tamil Nadu, have been victims of this polarization—inordinate fattening of the metropolitan city and matching emaciation of the smaller towns. Take away Bombay metropolitan area up to Poona from Maharashtra, and Maharashtra, even with Nagpur, descends to a level of urbanization comparable to Assam's. Similarly, take away the five KAVAI cities of Uttar Pradesh, and Uttar Pradesh descends to the same level of urbanization as Eastern Madhya Pradesh. Take the Calcutta industrial region and the tract between Durgapur and Asansol away from West Bengal and West Bengal slumps to the same level of urbanization as Orissa. The urban structure in these three States—otherwise so proud of their levels of urbanization—is in reality so thin and fragile that they really have little to boast about.

In fact, the 1971 Census results showed that the bulk of the towns in West Bengal, Bihar and Orissa—barring the notable metropolises and

industrial areas—had not reached the overall rate of growth of population for the State as a whole. This had happened not only to towns below 20,000 but also to towns between 20,000 and 100,000 and even to towns well above 100,000. In short, they had been affected by various degrees of outmigration during the decades. There are many reasons for the decline or actual physical decay of these towns which can be grouped chiefly under two broad heads: (1) the rapid decay of municipal finances as a result of which little money is available for extension of infrastructure, urban renewal, development and colonization. What little new colonization is noticeable in any place is mostly in the nature of government housing for government servants or for privileged communities which has merely cut into the existing, unrenewed infrastructure but has not primarily contributed to the generation of fresh wealth or facilities; (2) the comparative lack of growth of industries, even low-capital food processing or agro industries, not to speak of high capital or high value adding industries within or in the immediate vicinity of the municipalities. Even traditional craft industries in the organised sector, *e.g.*, cotton or silk textiles, timber, furniture, etc., have frequently decayed.

The decay in both directions hits one in the eye as one travels from Saran district in Bihar in the north-west to the easternmost corner of 24-Parganas in West Bengal or from Ganjam in Orissa in the south-west to Darjeeling in West Bengal in the north-east. In this entire territory one could count on one's fingers towns where one could find a brand new, shining, modern factory employing a working force trained in modern techniques, skills and management. The towns themselves, without exception, wear a down-at-heels hang-down look. None of them have a sizeable enough population that earns enough wealth to pay even for existing services, not to speak of improvements, expansion and urban renewals.

III

At the seminar on Calcutta 2000: Some Imperatives For Action Now, held in April 1976, this writer briefly analyzed the allocations of municipal subsidies and rates in West Bengal, which showed that almost the whole of available subsidies, not to speak of multilateral or bilateral assistance, went to the Calcutta metropolitan district, or more specifically to Calcutta and not even Howrah. As a result, towns like Burdwan, Berhampore, Krishnagar, Suri, Midnapur, Hooghly-Chinsurah, not to speak of the smaller district headquarters, and still less to speak of the sub-divisional headquarters and other urban areas were year after year denied of even token grants. Whatever improvement is noticeable in these towns can be attributed to the necessity of building quarters and housing colonies for the government's own employees, which does not add incrementally to the municipality's annual earnings. To be brief there have been few developments since 1951 in any city or town outside of the main industrial nodes in this region which has

appreciably enhanced the taxable capacity of the inhabitants of these urban areas. Nor have industries come up in these areas that could substantially add to their other incomes and improve the paying capacity of the residue for municipal improvements.

The course of events in the last twentyfive years have run into a vicious circle. Investment in the more populous cities led to greater wealth generation and larger volumes of immigration into them. Rural to urban migration often hop-skipped the smaller and intermediate-sized towns and made straight for the cities where opportunities for employment and higher wages were much greater. The smaller and medium towns by contrast offered bleak prospects. Wealth generation and improvement in infrastructural facilities attracted more and more of investment and more and more of immigration to the large cities, more and more depriving the smaller and intermediate towns of their pull. The latter category of towns, in their turn, not only did not receive new investments and opportunities of wealth generation, but lost their ability to attract migrants, who might prove a possible source of attraction for new industries or other kinds of enterprise. The social, cultural and economic distance between the larger cities on the one hand and the smaller and intermediate towns on the other, steadily widened throughout the last quarter of a century. As a result, most district and sub-divisional headquarters as well as other towns in the districts, which used to be not only cultural, social and economic nerve centres of their respective hinterlands, but also, in many cases, really pretty towns with a great deal of charm, beauty, repose, harmony between their different communities with efficient, inexpensive municipal services, had struck a good balance between processing and manufacturing establishments on the one hand and trade, commerce, construction, transportation and services on the other, and had further acquired reputations as centres of formal and technical learning and were in fact until the middle fifties very satisfactory places to live in, acquire friendships and enjoy a certain quality of life, have speedily degenerated into mean and congested slums, shorn of amenities and opportunities of higher learning or employment of higher knowledge or skill and have almost entirely lost the quality of life for which they used to be so sought after.

IV

The writer, as a young boy, remembers the satisfaction he experienced when his people moved from a district town in East Bengal to Burdwan in 1930. Not only was the town more pretty and picturesque by contrast, the municipal services worked with greater efficiency, each one of the public endowments of the Burdwan Raj showed to great advantage: the Rajbati area, the two large lake-like tanks, the Syam Sayar and the Krishna Sayar, the Zoo, the sports ground, even the impressive Curzon Gate and the Town Hall on the Grand Trunk Road, not to speak of the centres of learning, the

Raj College, the Medical School, the Technical School, the High Schools and the centres of classical Sanskrit, Arabic and Persian learning. Even the clusters of 108 Siva temples, the Sarvamangala temple, the great mosque and the little church on the Grand Trunk Road, contributed to the harmony of the town and bestowed on each area of the town its special significance and charm. They also provided what Kevin Lynch would call the image of the town. This writer remembers with pleasure that Burdwan at that time boasted of numerous factories and industries, as compared to the East Bengal town he had left behind, even if these were no more than rice mills, straw-board mills, little textile and hosiery mills, oil mills, food and fodder processing factories and modest establishments of foundry, smithy, cutlery, ceramics, pottery, etc. There were numerous establishments of servicing and component manufacturing which provided employment to immigrants. What is more, the town was every two years or so coming up with new neighbourhoods, not government colonies, but residential communities generated out of the wealth of local residents. In the course of a short span of about six years the entire length of the G.T. Road from the Banka river to the railway station and beyond filled up with neat, attractive residential houses on either side, reflecting the latest architectural trends of Calcutta, while two large colonies grew up, one on the northern bank of the Banka river and another over a large area south of the Town Hall, right southward until it joined the new Banka colony. In point of investment, compared to the resources of the town in those days and having regard to the fact that this was the aftermath of the Great Economic Crisis of 1929, the investment would be comparable in effort to the building of Defence Colony, the New Delhi South Extensions and Jorbagh in New Delhi. But the chief point was that the people of Burdwan thought it eminently worth their while to invest their money in their own city and not in distant Calcutta. Culturally, socially, economically and by way of attaining a desirable quality of life and satisfaction this local investment was preferred to alternative investment in Calcutta.

V

What has just been described about Burdwan, applied equally to such cities as Krishnagar, Midnapur, Berhampur, Suri, Bhagalpur, Muzaffarpur, Hazaribagh, Purulia, Cuttack or Sambalpur. As a matter of history, such investments not only in real estate but in industries continued in these intermediate and small sized towns even in the subdivisions right up to the early fifties, but stopped abruptly thereafter.

But a similar process to what happened to the intermediate towns up to the 1950's and thereafter had visited a number of still smaller towns in the eastern region. There would be at least eighty or ninety small towns up to 20,000 in the eastern region which had been functioning up to the 1930's but began to lose their prosperity and populations to the intermediate and large

towns and had become by the early 1930's what the intermediate towns became in their turn in the early 1950's. It seems that the smaller and intermediate towns and cities in the eastern region became sad victims of a kind of comprador activity in the current century where wealth of every kind, including manpower, was systematically drained from these urban areas and exported for the enrichment of the metropolitan or capital cities, never to be restored in later years.

This bleak trend shows no promise of reversing. On the contrary, it shows fearful prospects of accelerating. The finances of every district and subdivisional town, not to speak of other towns, are literally in shambles. There is little local money available for investment in water supply and sewerage, drainage, land improvement, establishment of educational and professional facilities, markets, warehouses, industrial estates, or augmentation of energy supply. Practically no building activity is visible, so far as private investment is concerned. All that is noticeable by way of industrial activity is at the most a new grain processing factory or cold storage there, or a factory relying on outmoded technology which the bigger city did not need and had sold off. But hardly ever a brand new factory with the latest technology, say in chemicals, sophisticated processing, metal industries, or electronics. These are not for such intermediate towns. Correspondingly, the educational institutions have progressively degenerated for lack of investment in buildings, equipment and teaching facilities. These towns can no more take pride as they did in the thirties as first class educational or social welfare training centres.

It would be no exaggeration to say that if these urban areas now need a minimum continuing annual capital investment of Rs. 200/250 per head of inhabitant, the earning capacity of their populations has declined to the point where the income of these municipalities cannot exceed Rs. 20 annually per head. Neither the municipal reserves nor the State Government are in a position to cover this gap.

VI

Yet, if the central place theory or spatial hierarchy of settlements is to have any meaning or if these intermediate and small urban areas have to fulfil the role of counter magnets to the large cities and achieve a hierarchy and balance of educational, commercial and industrial functions, the case for attending to their future becomes at least as urgent and important, if not more, as the case for attending to the larger cities which in so many ways are receiving more than their due share and by that process adding to problems and to the oedema of the heart of the body politic. For Patna or Calcutta or Cuttack-Bhubaneswar have become so bloated that they cannot pump satisfactorily enough any more and maintain healthy circulation in the economy.

Not only should these intermediate and small towns be assisted to retrieve their historic and geographical roles but this effort will have to be supplemented

by rapid growth of a large array of industrial and commercial establishments in and around them not only to serve as anchorages for fresh migrants but to provide the much needed income to these cities and towns, so they can gradually build up an investible surplus to the extent of Rs. 200/250 per inhabitant per year. What is more, to provide employment to the new generations of professional and industrial skills, while the bulk of the industries may be concerned with the production of agricultural inputs, wage goods and agro-processing and finishing industries, at least a sizable fraction of the new industrial establishments should be in the modern sector of chemicals, precision instruments, electronics, precision tools, etc.

Calcutta looms large in all discussion on the Eastern Region. The salvation of the small and intermediate towns and cities in the region cannot be achieved without a major plan of reorientation of the role of Calcutta and actively working toward it. Calcutta will have to shed some of its present functions in favour of the network of small and intermediate towns and acquire new functions consistent with its modified geographical centrality. The logic of what has happened up till now demands this reorientation of interrelationships. The way to achieve this would be to strengthen and enrich the small and intermediate towns by investing them with more worthwhile functions and feeding them with the resources for growth. Let us figure out how this re-orientation can be brought about.

VII

There was much satisfaction in 1974 that Calcutta had got going again with a public investment of 135 crores. If Calcutta had already seen an investment of 135 crores by 1974, it was nothing compared to Delhi which saw an investment of about 1500 crores in the first five years 1950-55. The total of investment in Delhi has gone up to about something like 8000 or 9000 crores. A public investment of Rs. 135 crores on Calcutta up to 1974 was very little and in the next 20-25 years Calcutta will probably have to have an investment of something like Rs. 4,000 crores on its civic amenities and various other things. It will probably have to exceed this figure. To sustain the interest on those 4000 or 5000 crores of rupees, a Calcuttan will have to pay by way of sustaining this infrastructure and civic amenities something like Rs. 300 per year at 1960-61 prices. If that is so, then an average consumption of a Calcutta family around 2000 should be about Rs. 400 at 1960-61 prices by 1996 or 2000 A.D. That is the minimum, otherwise all this investment in Calcutta cannot be sustained except by Calcutta being all the time almost a bigger city to the rest of the world which is certainly not the intention of any national city. Secondly, Calcutta's past has been one of compradoring—a kind of go-between so that the wealth of the country can be drained out through the funnel of Calcutta to outside, and Calcutta probably is still fulfilling the function of retaining a very vast poor base of low paid labourers in

the city. This low paid base of labourers, unskilled, unqualified, uneducated, with the minimum amenities, cannot go on for ever and Calcutta cannot go on taking pride in being the poorest city of the world or of India. The third most important point is that Calcutta's future, the role of Calcutta, has to be adjusted to the role of the entire hinterland and the role of the entire hinterland must per force be bigger than the role of Calcutta city itself in the future. A few propitious things have happened, which are however not enough for the Eastern Region as a whole. Already in the last fifteen years, since the Steel Plant began in Durgapur, Durgapur and Asansol area has become a very powerful countermagnet to Calcutta. Haldia, if everything goes on well, in the next 10-15 years, is going to be another very powerful countermagnet and it is just as well it should be so, but it has still to attain a viable sharing out of functions with Paradeep and Visakhapatnam. Also there is the very important point that the region must produce more wage goods together with agricultural inputs, in factories set conveniently all over the region, which will embellish and enrich the countryside so that it can pour in more wealth into the region's urban network for investment. We can ask ourselves the question as to which areas should fulfil this job. The Haldia-Calcutta-Asansol triangle provides an excellent space endowed with great facilities which can house a full range of input industries outside of Calcutta. But those factories must extend to convenient locations in Bihar, Orissa and Northern Bengal. Such an extended network alone can enrich West Bengal and the eastern region on a much better scale than the scattered industries in Haryana and Punjab are doing to Haryana and Punjab. Behind the growth of agricultural development in West Bengal, Bihar, Assam, and Orissa, must lie this kind of infrastructure for production of a whole range of agricultural and industrial input industries. Calcutta has an historic role. Calcutta has also a regional and national role. It would be rather sad, and rather impractical if we think that Calcutta would have a diminished role to play by 2000 A.D. as a very central, nodal city. But it should certainly have a different role to play. So much of investment is going into Calcutta, so much of manpower and so much of skill has been built up, the city is strategically and geographically so placed that its position cannot be taken away by any other city. If that is so, what should be the role of Calcutta? One feels that in fulfilment of this role the sooner we went in for transforming Calcutta into high-value adding, low polluting industries and transforming the base structure of these industries—and that can be done within a span of twentyfive years—Calcutta would be fulfilling its ever-expanding role and yet a very limited and non-usurping role in the whole of the eastern region. The limited role would be played by limiting population growth which may not grow and should not grow at runaway speed, and there is no reason to think that Calcutta will grow to 15-20 million in ten years. Calcutta can well manage with about 12 to 15 by 2000 A.D. including the residents of the Calcutta metropolitan region today. It can still be a very happy and prosperous city fulfilling the functions of high-value adding, low polluting, high-skill using services

and industries with a thriving commercial, trade, financial and tertiary sector. The major issue is that we should be able to formulate what should be the role of Calcutta in the economy of the entire region. Whether its economy should still be more or less depend on the kind of industry that we have by way of low skill, foundry casting, textiles and so on and so forth or it should be really a sort of city of high skills, technological, professional and managerial, with the most complex financial and commercial functions and with sophisticated industries which will produce a far better per capita income to sustain the infrastructure that Calcutta will have in the next twentyfive years and yet will serve the hinterland. If that reality is fulfilled then Calcutta will have a development role and a modified role for the hinterland of the Eastern Region which will also be very helpful for the whole of the nation and certainly for the eastern region. A modified stepped-up role is necessary, which will go on producing wealth by way of skilled manpower and also producing a wholesome city which will not be a burden or a parasite on the region, as it is now.

VIII

I should like to conclude with a palpable perception lag that still haunts the public mind in Calcutta which may impede the development of the Eastern Region. The west bank has now a great regional facility, after the emergence of Farakka and Haldia and how this regional facility is going to be expanded and utilized should receive serious thought. Basically, the dynamic infrastructure of Calcutta has really moved to the west bank, while the Static infrastructure and its importance is locked again in the east bank but, which in its turn, needs to be unfreezed. The dynamic infrastructure with which the CMD's lot is concerned is the emergence of Haldia as a port of facility and of Calcutta as a better port and a deeper draught port. The second point that emerges is that Calcutta's east bank has so far served as a very big warehousing facility for the eastern region. That is no longer necessary. The bigger warehousing facility may now move to the west bank including the jetties now on the Strand Road area inhibiting traffic. Shri Bholanath Sen has spoken of the commodity terminals at Kona and the south eastern fringe, but a great deal of planning must obviously be undertaken on what should be the kind of network pattern between the railways, the national highway and the interconnecting port facilities at Paradeep, Haldia and Calcutta ports, so that they can steadily augment this basic regional facility and its opportunities. This is a point on which much thought should be expanded—the radical change that will come about by Howrah up to Kolaghat, and Haldia coming up as a regional facility and transfer of the focus from the east bank to the west bank and what is to be done in the west bank particularly with the road and rail network and ports, warehousing and termination of bulk commodities. How the CMD space can be relieved and a lot of space can be found for other activities on the

valuable sites of warehouses that clutter up Calcutta today. On this reorientation will depend part of the future prosperity of the Eastern Region. On this additional port as a regional facility three subpoints hang. First, what will be the texture of additional coal-based industries and the hydel linkages between Calcutta and the region; highway and railway linkages between Calcutta and the region; how a certain reorientation of the economy will be brought about, what will be the nature of additional employment; and how the additional population will be housed. This is the first step. The second will be the reconstruction of the terminal facilities at Calcutta's east bank, for it will still continue to be a very large regional focus, as distinct from the west bank. With the east bank the problems are two-fold. One is the regional problem—Calcutta serving the intra-metropolitan network. These are the two main spatial divisions on the east and west banks. The next task will be to find out what linkages between the east bank and west bank should be developed and how these linkages can be braced for better circulation. The third area on which again there has been no extensive public debate is the problem of intra-city traffic and intra-city transit and the rationalization of transportation within the CMD area particularly in the east bank. This will give shape to the planning and management of the intra-CMD traffic that is going to emerge from an intertwining of the railway system, the underground system and the road system. There will have to be reshaping of fast and slow moving traffics together with appreciation of the fact that a great deal of the warehousing for bulk commodities will probably need to be moved to the west bank. These are some of the issues that loom very importantly over Calcutta's future, as well as that of the Eastern Region.

IX

When all is said and done, the prosperity of the Eastern Region will depend as much upon the resuscitation of the network of the small and intermediate towns that stud the entire landscape as upon revised role-relationships between that network and the major industrial cities and nodes in that vast tract.

Clearly, the departments of local self-government, which currently look after the problems of urban areas in the States, are ill-equipped for the task. The question is no longer of keeping a tab on the balance sheets of ailing municipalities and giving them small, occasional grants, but of taking a global view of urban planning in the State and working out flexible approaches to relationships within the network as the economy develops. It seems imperative, therefore, that States should set up Departments of Urban Development with a broader frame of reference, where they will determine not only spatial relationships in the urban network, but actively promote the distribution and allocation of industries concerned with the production of agricultural inputs including repairing and servicing, of wage goods, of a

wide range of agro industries suited to the crops of each region and the locationing of industries of different levels of technology and labour absorption consistent with the combating of pollution that they generate. Such a department of urban development cannot be content with spatial distribution and town planning, for its major concern must be with the promotion, allocation and establishment of appropriate industries with appropriate technologies. The department must, therefore, work intimately not only with those departments that are concerned with the development of infrastructure and technology, but also with the major sources of institutional finances in industries and the State industrial development corporations. The kind of perception lag that we have briefly discussed in respect of the west and east banks of the Hooghly exists in other States, *e.g.*, with respect to the prospects of North Bihar, particularly the Koshi region, or in the Sambalpur or Koraput regions of Orissa. Nothing short of a comprehensive view of the spatial problems of the State as a whole would suffice as a starting point, for most past assumptions need to be questioned in planning for the future.

Levels and Scales in Spatial Planning

SAYED S. SHAFI

IN simple terms spatial planning concerns with the promotion of human welfare through conscious planning and development of the human environment—an environment in which people—men, women and children live, work and play; a setting which not only allows them to become just productive members of a society, but which includes overall enrichment of their life. But, while the physical planning of the spaces is the end-product, between the dream and reality, the concept and its translation on the ground there are inevitably several levels and scales of human experience and endeavour. And, today, when hardly anything is simple and can hardly be studied by itself, or in isolation, the planning of human settlements, too, has to be appreciated at several appropriate levels and scales interfaced and interrelated as it is with other relevant factors and aspects.

Our attempt would be to discern and recognize what in our particular context these levels and scales are, and their relevance in the field of planning the space. To begin with, as physical planning's main concern is to shape the physical environment of man's existence, we must recognize the various forms of communities, in various settings and backgrounds representing diverse life-styles. As the plans formulated by city planners exert profound influence on almost every other domain of human activity, therefore, we must strive to appreciate the inter-linkages and interrelated aspects which are relevant in translating the various goals, objectives and perspectives into physical existence. There is a sequence in all this and each level has a specific significance as it is concerned and related to other levels and scales.

As we look forward, India is undergoing an unprecedented transformation of its traditional society. The importance of this fundamental change and its far-reaching repercussions have unfortunately not been fully realized by many of our intellectuals, politicians and men of action. An apparent manifestation of this transformation is urbanization, which is undoubtedly the most remarkable phenomenon of our time. And there is an urgency to it all because trends once take firm root would be well nigh impossible to reverse or change. The time is now and the option that now exists "to mould the environment near to the heart's desire" would not be open, say, after a decade or two. And, here again, we must make a distinction between a more

urban growth with non-farm, non-agricultural living and living with a certain life-style which could be called as truly urban. It is in this context that city and regional planning becomes all the more important as it aims towards a rational distribution of a great variety of human activities in the form of space. While man is transient, land is permanent. Though its use is not form of space, the implications of this transformation are formidable. In the quest to shape the environment the planners have an extremely serious responsibility which is seldom recognized.

II

In the context of physical planning along with appropriate levels, certain other things including time, space and perspective have meanings that influence the quality of life as also the overall goals and objectives as accepted or enunciated at the national level. In this connection, the term 'levels' may be considered more in the context of non-physical aspects as against 'scale' with which we would deal primarily in terms of simple, even crude methods. A major problem that has been encountered by all social and economic systems, socialist, capitalist and in between, is how to develop suitable methodologies and strategies to translate national goals and sectoral development policies to regional, regional-metropolitan and community levels; from macro systems to micro-scales and vice-versa. Different countries with varying social and economic systems have dealt with this problem in their own ways. And, in India, too, we are developing and experimenting with a number of approaches and strategies. Sometimes they are called "multi-land planning".

Looking for comparatively simple, even crude methods, that have significance to developing countries such as ours, we must distinguish them in contrast to the approach, methodology and models conceived by sophisticated econometricians dealing with things estonic such as, optimal growth-path, turnpike theorems, dynamic efficiency, etc. To start with we must make a few basic distinctions: First is the scale, the magnitude and the great diversity of our country and people that inhabit various regions of India. The complex challenge faced by India and the perspectives we have must be properly understood. Second, the realization that even though we are most developed than many of the developing countries, still our planners and politicians both are far from perfect. In fact, they too, are underdeveloped! And, most probably what is a suitable model for economically developed countries may lead us to erroneous conclusions and policy formulations. There is, therefore, considerable room for innovation and experimentation. Third, a number of concepts, for instance, based in purely economic terms are neither adequate nor comprehensive enough to explain the structure of our complicated economy, nor can it help to effectuate the changes that are relevant in our peculiar situation. Fourth, our style of planning has to be qualitatively different than

others because instead of following trends, we must develop a system of planning at different levels through which major qualitative and structural changes can be introduced into the society. And finally, exercises in economic growth and development must take into account 'human capital' as a major resource factor, having strategic and critical importance in the realization of goals of planned development whatever be the level.

For example, the national planning exercise in India till now has been mainly confined to the "allocation of resources" to various sectors of the economy. Little attention has been given and no methodology developed for "location of resources". This approach has been truly spaceless. But, today, with new awareness throughout the world of phenomenon other than purely economic, terms like GNP-GDP have lost some of its earlier glitter. Others concerning mainly social aspects have also come into the picture and, today, it is the GSP (Gross Societal Product) which has acquired increasing respect as more pertinent even though it is not easy to calculate this index.

No discussion of planning at various levels could be complete without acknowledging the major contribution made by the economists like J.K. Galbriath, Walber Island, Gunnar Myrdal and Jan Tinbergen who, realizing the peculiar circumstances of developing nations, made significant efforts by producing at least three models appropriate to economic development. The *first model* conceived 'planning-by-stages' involving in the first place, determination of total investment and the savings, to be followed by *sectoral stage*, and, finally by a *regional stage* depending on policy targets formulated within the national and regional perspectives. The drawbacks of the system was not only data but inadequate information on several key economic factors. However, it did not adequately take into account the instruments of implementation to obtain consistencies in different sectors and for different areas. The *second model* devised is in fact the modification of the first one making use of the computers and dealing with a large system of simultaneous equations wherein the first and second stage of the earlier model are fused into a Repercussion Model. The *third model* contributed by Tinbergen can be called as a *Semi Input-output Model* which envisages combination of individual projects emerging as a sum total. But, it would be unfair to say that a genuine planning exercise is nothing but a mere sum-total of the various 'sectors', 'factors' and 'inputs' in order to attain the designated goals or stages of development. Comprehensive planning on systematic basis requires to be viewed as elements of complex reality to be understood in its inter-relationship with other aspects of which level, scale, time and environment have to be understood on a genuinely inter-disciplinary basis.

III

The increasing awareness of the factors pertaining to ecology, environment and indications affecting the quality of life has forced many planners to think

of more meaningful concepts for planning economic and social development as also the communities. A conceptual frame covering simultaneously the economic and non-economic objectives in planning has been worked out and, against the earlier concepts of GGP-GNP (Gross Geographic Product and Gross National Product), the complimentary notions of GSP (Gross Societal Product) and GEP (Gross Economic Product) have been developed. In this the GEP or Gross Economic Product is conceptually composed of:

- (a) Societal-layout;
- (b) Technological-capital; and
- (c) Biophysical-environment, including land.

A number of indices have been worked out within a given set of "behavioural settings" and certain experiments have been carried out (covering roughly 830 persons) which have helped to compute the possible indices of GEP and GSP taking together the economic and non-economic factors in planned development. It follows that the economy is rather an openended system and is subject to a number of intangible social and cultural events. In any case, problems of national or regional development need "multi-dimensional scaling" and require careful linkages with regional and spatial components constituting the total environment and the size of the community.

Apart from the vast size of our country and great contrast and diversities which are not easily visualized, there are other factors which need to be understood and they have important bearing to levels of planning. Unlike comparatively smaller countries like Iran, Iraq, Syria, Thailand, Burma or Philippines, most of which have one or at the most, two private cities, India has about twelve (12) major metrocentres, each containing one million or more population. Then, there are a large number of other cities and towns in the size groups ranging from 50,000 to 500,000. At the other end of the spectrum of human settlements, there are more than half a million villages mainly in rural agricultural settings. What is more, we have a large number of tribal people in tribal areas ranging from the snow-capped areas of Ladakh and Himachal to the arid deserts of Rajasthan to the jungle of Dandakaraniya and the tropical forests of Eastern India. Then, people in India are living at several levels of social and cultural development. In fact, there is hardly any country which, within its own confines, have such a vast variety of range and diversity of human habitats. Naturally, in planning the economic and social development these differentials have to be taken into account.

To a large extent our thinking of the urban areas and particularly of the urban problems is derived from the acute situation prevailing in our metro-cities. The notion is prevalent that the four or five metro-cities represent micro-cosm of Indian urban culture. There is a tendency to believe that the situation

is similar in all cities and towns, even those that are comparatively small or medium. This is fortunately not always true. The size and function of our medium and small communities are qualitatively different compared to the big cities. Medium cities (size : 50,000 to 300,000) are somewhat less complex and one would like to think that they are perhaps comparatively more easy to manage. Not only that there are fewer squatters and, in some cases, an economic base which is comparatively modest, their problems too are different. What is more, their potential significance and instrumental role in attaining a more human and desirable pattern and form of urbanization has not been recognized. Many of these are suffering from neglect and are losing their valuable assets, both human and physical.

Our social-historical legacy and certain factors of development very often have created awful contrasts and variations in life-styles so that various levels of development exist side by side in most of our towns and cities. This is also reflected in areas, services and social and cultural amenities. In terms of economic activity, although there is no conclusive evidence to suggest that a given city becomes unmanageable or economically inefficient beyond a certain point, there is, however, some evidence to show that for various cities in various settings in our country, at a certain stage of growth, the cost of essential services and utilities becomes much too excessive, and, at that point, unless fresh large scale investments are made to expand the systems, the cost of further urbanization tends to become prohibitive. For example, the four largest cities (Calcutta, Bombay, Delhi, Madras) have serious limitations to their water supply, not to speak of sewerage or drainage system.

It is truism to say that there is hardly any community of any size, be it small or big, which can be planned in isolation by itself. Even planning of brand new towns are not an exception. This truism is even more significant for towns and cities which are big. As is well known, urban communities grow to a large extent due to immigration of people outside their own limits, often from a large hinterland. Besides, the increase in population of a large city is even more dependent on activities and things that are happening outside its own limited confines and very often arbitrary boundaries. In fact, more often than not, its future is determined by what takes place in areas outside its own limits than within the city itself. In terms of spatial planning, therefore, it is necessary not only to be aware but to plan the human settlements, our towns and cities, at various levels and scales and in relation to their umland. And it is generally at this level that major goals and objectives of national policies can be implemented.

It has been a complaint of town and country planners that, whereas we have gained considerable experience and expertise in the national planning exercise, very little has been done insofar as urban and regional planning is concerned. As a matter of fact, it is seldom realized that translation of the national goals and policies on the ground requires planning at a scale and level which could mobilize and involve people for whom the plans are made. And,

so as to deal with planning in a proper manner, we could conceive spatial planning at five major levels:

- (a) *Fine-grain planning*—dealing with a community or a part of it: within a city or town that includes development of a new neighbourhood or scheme of urban renewal;
- (b) *City planning or community planning* dealing with the total community as such whether town, city etc.;
- (c) *Planning for unland around cities* including planning of the metro-regions: deals primarily with urban or metro-regions;
- (d) *Spatial planning* for special purpose areas or regions, such as river valley regions, resource regions or tribal areas;
- (e) *Spatial planning* for the country or State (or parts thereof); and
- (f) *Spatial planning* for the country or for various States.

Finally, it would not be irrelevant to mention here is the scale generally employed by the spatial planners in the preparation of plans at these levels. These are as follows:

<i>Natural scale</i>	<i>Type of plan</i>
(a) 1 : 500 to 1 : 2,500	Finegrain Plan
(b) 1 : 5,000 to 1 : 20,000	City Plan or Town Plan
(c) 1 : 50,000 to 1 : 100,000 1 : 250,000	Metro Regional Plan
(d) 1 : 500,000 to 1 : 1,000,000	Resource Regions Multi-purpose Areas.
(e) 1 : 1,000,000 to 1 : 5,000,000	Country, depending upon the size of the country, showing physical features, rivers, states, railways, highways.

Of course, the scales employed by the architects and urban designers are still different and range from 1:50 to 1 : 100 and 1 : 200. At the other end, plans capable of implementation can hardly be prepared, except diagrammatically for category E. But, the total range must be appreciated.

In addition to just pointing out to the physical dimensioning of plans, we must also realize and appreciate the 'area scale' which can be a great help to visualize the impact of proposals and the grain and fabric of a given planning area.

*Reflections on Existing Land Use Control Measures in West Bengal**

C. MOZUMDER

THE objectives of land use control are to mitigate the effects of growth and change and set standards of new developments consistent with future requirements. Its role is crucial in areas where developments create conflicts of interests in a community. But it is generally accepted that through public control measures alone, the direction of change can not be radically altered restricting private initiative. In the absence of large scale intensive public promotional activities, land use control measures, therefore, should be adapted to existing natural process of growth rather than stop or alter the private process of development initiative radically. The implementation of various provisions of this Act on a planning area, in absence of any Master Plan for the area, therefore, requires a balanced and thoughtful adjustment of means to ends.

The basic approach made in the Calcutta Metropolitan Planning Area (Use and Development of Land) Control Act, 1965, in controlling uses of land, is zoning in its most rudimentary form and no attempt has been made to incorporate sub-divisional regulations. Zoning, as is understood by Town Planners, is the division of a planning area into use-zones within which permissible uses are prescribed and restrictions on building-bulk, its height, layout and other requirements are defined. Unfortunately the second part of zoning, viz., restrictions on building bulk, etc., are not provided in the Act. As a result, except use-zoning, no other important objectives of planned development is being served at present by the present system of land use control operated in this State.

The first experiment of the Land Use Control Act, 1965, has been attempted in Ultadanga-Maniktala Control Area and VIP-Road area since 1969. While there is no plan for the VIP-Road area, an outline plan exists for Maniktala-Ultadanga area, where broad land use zones have been demarcated along with identification of compatible and incompatible uses for each kind of zone. This plan therefore allowed some variety and limited experiment in mixing land uses within each zone, but by the same token is virtually

* Views expressed are entirely personal and do not represent that of the Government.

impossible to describe the system thoroughly or to predict land consumption rationally and scientifically—one of the basic tasks of planned urban development. This difficulty is primarily because of absence of rational analysis of neighbourhood needs and characteristics required to plan an economic and convenient arrangement of uses.

There is also another problem. Since Land Use Control applies to both existing and new developments, there is no clause in the present Act which shall not permit continuance of existing non-conforming uses beyond certain period of time. In fact, such omission has given rise to peculiar problems of implementation. In a residential zone within the Ultadanga-Maniktala Controlled area, an owner has applied for permission to construct residential quarters over an existing one-storied industrial-building which is non-conforming in nature but being allowed to exist without any limit on its life. If now permission is refused, it shall be contrary to law and if allowed, it shall be contrary to health and welfare of future occupants of the building over a factory. Suitable modification of the Act, therefore, seems to be the only way to tackle this kind of problem.

One of the important aspects of land use control administration is the day-to-day enforcement of controls. The original zoning proposals in the CMD were prepared by Town Planners of CMPO. But the same was not done for other areas of the State. After approval of the zoning plan for a portion of the CMD by the Government, its administration has been vested with Town Planners of CMPO. But outside the CMD, administrators have been appointed to implement the provisions of the Land Control Act, 1965. District administration and land-use control do not have a great deal in common and with more and more complex zoning controls, based on subtle planning concepts, professional planners will have to be appointed to make for more competent and consistent administration of land use controls. The sooner it is understood and accepted, the better it is for planning and planned development of the State.

One of the good features of the present Act is that it disallows controllers to exercise their discretion in allowing variation in the application of control measures. But the present system of hearing appeal for permitting limited exceptions in cases of special hardship is also not functionally satisfactory. Instead of a Board of Appeals suitably established by the Act, a generalist administrator is entrusted to look into this task of appeal-hearing. Obviously such an arrangement can not provide consistency and continuity in the scientific administration of land use controls. Nor there exists any explicit principle upon which a variance can usually be granted. All such points need to be deeply probed before a sensible set of principles are set for guidance of the Appeal Authority. Unless reasonableness and legality are established in variance, this field of land use control is bound to become a paradise for lawyers, besides providing an open invitation for corruption.

As pointed out at the outset, one of the prime objectives of land use

control is to ensure provision of space for all community facilities like schools, parks, etc. The problem of having adequate land for public uses is often dealt with in the two following ways:

- (a) In case of developers developing certain areas, the law requires the developers to donate part of their land for public uses.
- (b) In case of individual developments where the size of developments is too small to provide adequate areas for public use, the law acquiring a financial contribution to the cost of providing parks, etc., on the basis of so much per lot. This is important when the Government has limited resource to finance all the requirements of a community.

But unfortunately no legal provision has been made in the Act incorporating the above two steps.

Except four districts, viz., Howrah, Hooghly, 24-Parganas and Calcutta, the entire State of West Bengal has now been declared as Controlled Area. This may give rise to a wrong impression that the State will henceforth develop in a desirable manner. But in reality this expectation is far from being achieved. For example, individual developers shall try to possess land wherever these are available quickly and cheaply. But in doing so vacant sites will be left behind giving rise to patchwork of development which will be in all probability unsightly, wasteful, inconvenient and expensive to service in future. Perhaps the worst of land use controls is this failure to prevent this process, since 'when' is not dealt with in respect of each and every zone where such zones are identified. This time dimension could have been based on the following two broad policies :

- (a) Sufficient land is available to meet the market demand for developments of all types,
- (b) Such developments are adapted to an orderly process of community growth.

In other words, a detailed plan for the extension (or provision) of public services, like water, drainage, schools, parks, etc., must be related to the anticipated demand from new development thus providing the surest basis for effective control of suburban growth. Such a system presupposes, however, a very detailed survey and planning process to decide the areas of high and low priority, backed up by a consistent programme of public works. But unfortunately this problem also remained untouched in the present approach towards controlling the uses of land.

But the most glaring defect of the present land use control measures is that the controls have come before planning. Not a single area, other than Digha in Midnapore District, has any development plan to guide controllers in regulating the process of growth. This position may seem absurd, but is the

reality. Another serious defect is the lack of power to pay compensation for loss of development value as is happening in VIP-Road controlled area where permissions are being refused primarily on ground of incongruity in relation to permissible accessibility. It is needless to point out that without this power to pay compensation it is quite impossible to secure some of the most important objectives of land use planning. For example, it can not reserve land needed for public use or protect private land of high potential from haphazard development. Besides paying compensation for outright acquisition, the Act should have provided a clause for 'conservation easement' which means that the State could acquire conservation or development 'easement' of land that it wants to see kept permanently as open space or use it for large-scale development. Such easement could be acquired by gift or by voluntary or compulsory purchase and could perhaps have been used on either side of the VIP-Road Controlled area.

To draw conclusion from above that the existing Land Use Control Act has been drafted poorly with a very limited concept of public interest will not be grossly unjustified. The wise use of land and planned development of the community have been little considered beyond the most elementary principle of separating grossly incompatible uses. Additionally there has never been any attempt over the past seven years to innovate, enlarge or strengthen new techniques. Such a static state of existence is incongruous to the dynamic concept of urban growth. But together with subdivision control, land use control is the main hope for the future. It should, however, be recognized that the owner of land is often the only person who knows what can be done with his property and what precisely is involved in his proposals. Therefore, to insist on having an elaborate set of standards would grossly limit the initiative of the owner restraining the forces of growth. Insistence of minimum standards may minimize this problem. But there is a danger in this approach also. Permission will have to be given to all applicants who will satisfy minimum standards resulting sometimes in 'blighting' effects compromising desirable urban development. What is therefore needed is a balance between 'standards' and 'principles'. A clear statement of the principles on which land use control measures are based and the objectives which it is intended to achieve, can just be as effective in diminishing discriminatory practices as in affording much greater scope for private initiative, thus allowing land use control to adapt more easily to the needs of changing and unpredictable urban situation. Such an approach will also help in establishing justiciability in a court of law if challenged. But this approach calls for collecting relevant facts in a systematic manner so that trends are fairly foreseen, for relating urban policies (rehabilitation, renewal) to the system of control, for articulating existing land-use policies and keeping them under constant review, and for the establishment of fair and impartial procedures. The State Government will have to address itself urgently to this task if the lawyers are to be discouraged in their likely attempt to reverse the progress towards more effective and

rational land use controls. It would be pointless on the part of the State to refuse to change the existing law in tune with future requirements particularly when so much favour is already bestowed on public authorities in regulating private interests on land so as to achieve a desirable planned environment.



*Maintaining Calcutta's Urban Development**

MRINAL K. BHATTACHARYA

AN important event in the maintenance administration of urban development in the Calcutta Metropolitan District occurred in November 30, 1973 when the Calcutta Metropolitan Development Authority (Amendment) Ordinance was promulgated under Article 213(1) of the Constitution of India. Subsequently, it was enacted in the West Bengal Legislature in March, 1974. The amended act empowered the Calcutta Metropolitan Development Authority (CMDA) for bringing development works and maintenance thereof of all metropolitan authorities under one umbrella and adopting for itself maintenance of CMDA schemes. Accordingly, under section 22(A) the Acts governing the Calcutta Improvement Trust (CIT), Howrah Improvement Trust (HIT) and Calcutta Metropolitan Water and Sanitation Authority (CMWSA) have been amended towards superseding them for specified period and transferring their management under the CMDA for "... better coordination and speedier execution of development work and maintenance thereof". Both the HIT and the CMWSA have then been superseded. The CIT, an institution since 1911, has not been superseded but has been transferred from under the control of the Department of Municipal Services to under the Metropolitan Development (T&CP Branch) Department, a recent creation in the Department of Public Works, which is also the controlling Secretariat of the CMDA now. The Town and Country Planning Branch of the Department with the Calcutta Metropolitan Planning Organisation as the premier constituent Directorate along with some other regional Directorates and Authorities remains charged with the town and country planning function in the State under the supervision of the same Minister as that of the Minister of the CMDA. Secondly, under sections 17(A) and 17(B) the CMDA has adopted three specific powers in matters of maintenance of CMDA schemes. These are:

- (a) that the CMDA may assume responsibility for maintenance of CMDA works;

* The views expressed are those of the author in personal capacity and in no way related to the office held. The alternative solution posed is suggestive and not conclusive.

- (b) that the CMDA may require the beneficiary local authority to assume the responsibility for maintenance of CMDA works when the CMDA has not taken that responsibility. The terms and conditions will be settled between the CMDA and the local authority. In case of a dispute the matter will be settled by the State Government in consultation with the local authority; and
- (c) that the CMDA is empowered to levy a betterment charge in respect of the increase in value of land as a consequence of the development work executed by the CMDA. This will apply when, in the opinion of the CMDA, the value of land has increased or will increase. The charge will not exceed one-half of the amount by which the value of land is considered to have increased. Such betterment charge can also be applied when it appears to the CMDA that any particular development project is not yet complete but sufficiently advanced to enable determination of the charge. In matters of assessment the persons concerned shall be given an opportunity to be heard before finalization of assessment. When a person dissents to an assessment by the CMDA the matter shall be determined by a panel of three arbitrators of whom one at least shall have special knowledge of the valuation of land. The betterment charge shall be payable in different instalments at different time in such manner as may be fixed by rule.

The provision of the imposition of betterment levy is akin to that of the CIT and HIT Acts where, of course, the rates are one-third and not one-half. The direct adoption of this responsibility of maintenance administration or imposition of this betterment levy are not novel features of the Ordinance. The ingenuity does, however, lie in item (b) of the maintenance power above where an understanding with the municipal front is aimed at. But this is easier to enact than to administer unless local finance, urban planning and municipal administration are given due consideration in the decision-making process concerning metropolitan development in Calcutta.

BACKGROUND

The CMDA was constituted in 1970 after its original enactment as Central Act No. XVII of 1970 during the President's rule. It was, however, re-enacted in the West Bengal Legislature as West Bengal Act No. XI after the installation of the popular Government in 1972. The creation of this high powered body was considered necessary, as the statute says, for three reasons :

- (1) to initiate massive expenditure on development of Calcutta from lowly Rs. 43 crores to Rs. 140 crores in Plan IV;

- (2) to enable utilisation of a percentage of newly imposed Entry Tax revenue, given by the State Government, for purposes of financing of development and servicing loans; and
- (3) to enable centralized borrowing from the market through this Authority especially because the metropolitan area has a very large number of municipal governments.

To meet these objectives the Act empowered the CMDA to formulate, coordinate, supervise, finance and execute any project in any plan for the development of the Calcutta Metropolitan District (CMD) or part thereof. The Authority has also the power to give direction to any implementing agency to enable execution of development projects in accordance with the approved plan. It may undertake execution works of its own: it can also take execution works when an implementing agency fails to comply with its directions. The CMDA can, with the previous approval of the State Government, borrow money from the market for purposes of development of the CMD—an area of some 534 sq. miles as described in the Schedule to the Calcutta Metropolitan Planning Area (Use and Development of Land) Control Act, 1965. To do all these the Authority has been made a very high-powered body and is now composed of the following members:

Chairman

- (1) Minister-in-Charge of Public Works, Metropolitan Development, Housing, and Town and Country Planning.

Vice-Chairman

- (2) Chief Secretary to the Government of West Bengal.

Members

- (3) Secretary, Metropolitan Development (T&CP Branch) Department.
- (4) Financial Commissioner, Government of West Bengal.
- (5) Administrator, Calcutta Corporation.
- (6) Commissioner, Rishra Municipality.
- (7) Chairman, Baruipur Municipality.

(The Municipal representatives come under the provision that not more than three other persons are to be nominated by the Government of whom one shall be a Council or of the Calcutta Corporation and the other two shall be Commissioners of the Municipalities in the CMD).

CMD FOURTH PLAN

The CMDA has spent around Rs. 135 crores on urban development in the CMD during the fourth plan. The maintenance obligation on completed

schemes of some Rs. 85 crores has become due from the beginning of the fifth plan. Similarly, it can be presumed that some more schemes will attain maturity as years roll on during the fifth plan and hence newer and newer maintenance obligation will be arising one by one as a regular feature in future years. On a rough estimation it has been found that total maintenance obligation during the fifth plan of schemes of this Rs. 85 crores will be about Rs. 25 crores. Similarly debt servicing liabilities of market loan of some Rs. 46 crores incurred by CMDA will be some Rs. 30 crores during the fifth plan. Thus a total of $\text{Rs. } 25 + 30 = \text{Rs. } 55$ crores will have to be borne during the fifth plan to meet this committed obligation by the beneficiary agencies comprising of the State Government, the CMDA, 35 municipalities and corporations and some 160 Anchal Panchayats governing 63 non-municipal towns and 518 rural mouzas in the CMD. The money figure will, however, increase as and when newer loans are incurred and newer schemes attain maturity during the fifth plan.

A tentative areal-functional distribution of capital expenditure of this Rs. 85 crores has been shown in Table I. The important point is that each figure in the table has its own implications regarding maintenance administration in the given fiscal-administrative structure in the CMD. To elucidate some, Rs. 14.9 crores under the head traffic and transportation in Calcutta will be a mixture of local and State responsibility indicating that local functions are maintained from State-level resources without appropriate devolution and thus affecting civic responsibility and fiscal propriety. Similarly, Rs. 1.8 crores under water supply in some of the 160 Anchal Panchayats depict primarily a problem of public administration and resource mobilization where the rural-type Anchal Panchayats in the non-municipal towns are organizationally unable to maintain and operate urban standard water supply schemes. Again, Rs. 5.6 crores under drainage in jointly benefited areas other than Calcutta presents a problem of functional jurisdiction and fiscal management where the benefits of urban development cut cross administrative boundaries of existing maintenance agencies, *viz.*, municipalities and Anchals. Obviously, the intensity of this problem of maintenance in such overlapping functions will increase as and when municipal development plans in these areas will be prepared, enforced and implemented—a need which will have to be fulfilled in near future as follow-up actions of almost one and all reports in the country on urban plan and development. Finally, Rs. 23.2 crores and Rs. 43.6 crores as total expenditure in urban development for 34 municipalities and Calcutta Corporation respectively retraces the general impression that municipalities in the CMD do not feel enthusiastic enough to adopt these completed schemes for maintenance and operation. Speaking generally, there are three reasons for this apathy. First, the municipalities have since been maintaining the position that they do not have enough resources to meet this additional burden. This, of course, signifies that State-municipal fiscal relations have not been re-defined and re-structured with accelerated spree in development expenditure

Table 1
AREAL FUNCTIONAL DISTRIBUTION OF CAPITAL EXPENDITURE ON COMPLETED SCHEMES IN THE CMD
DURING 4TH PLAN

<i>Area/Function</i>	<i>Water supply</i>	<i>Drainage</i>	<i>Sewerage</i>	<i>Garbage disposal</i>	<i>Health</i>	<i>Traffic & transportation</i>	<i>Others</i>	<i>Total</i>
Calcutta	13.2	6.3	1.0	2.0	1.2	14.9	5.0	43.6
34 Municipalities	6.2	8.6	1.1	0.6	0.9	3.7	2.1	23.2
161 Anchals Panchayats	1.8	0.3	—	—	—	3.6	—	5.7
Jointly benefited (Calcutta and others)	3.6	1.1	1.0	—	—	0.3	0.1	6.1
Jointly benefited (Other than Calcutta)	—	5.6	—	—	—	1.1	—	6.7
TOTAL	24.8	21.9	3.1	2.6	2.1	23.6	7.2	85.3

(Rs. in crores)

especially since the sixties and still more in the seventies. Secondly, the municipalities feel that they are not in the planning process, that these schemes are not schemes of their public planning and that these are being imposed upon them for maintenance and operation by higher authorities. May be, the same schemes would have come had there been preceded by municipal plan. This in its turn, raises a subtle political issue in fiscal management inasmuch as local public expenditure is not being decided upon by local people's representatives by way of the local planning process. And thirdly, by sheer inertia the local public opinion remains unformulated about the quality of civic life to be attained through the municipalities as they have been dubbed inefficient institutions and kept away from people's trust and cooperation since many years now. The perpetuation of these factors breeds the unwholesome situation of municipal power without responsibility in matters of civic administration. All these indicate that the ground is not congenial for smooth attainment of understanding with the municipal front in matters of maintenance administration of CMDA schemes.

NON-PLAN SECTOR

It has been indicated above that the problem of maintenance administration owes its origin to pre-CMDA days. The problem has only been intensified after CMDA came in 1970. Accordingly, it may be useful to take note of the fact that the expenditures incurred by the CMDA do also include expenditures which were allocated originally for the CMD area (before the creation of CMDA) under the State Fourth Five Year Plan. Hence, while probing into the question of maintenance obligation of CMDA schemes it may be useful to distinguish between the plan and non-plan components of CMDA expenditure for purposes of analysis. The plan component of CMDA expenditure is about Rs. 40 crores. This figure is the cost of plan schemes completed by 1973-74. The significance of this lies in the situation that the State Government was originally committed to the maintenance and debt servicing of the plan component of the CMDA schemes. Hence the State Government and the municipalities (including non-municipal towns and other Anchals) could not have escaped from meeting the problems of maintenance obligation and administrative assignment of these schemes even if the CMDA were not created. The State Government would have shown this, as they had, to the Sixth Finance Commission for getting the required resources. The creation of CMDA and the CMDA expenditure have not, therefore, created any new problem. The administrative-fiscal dimension of the problem has only been magnified in the changed situation after 1970. In other words, the creation of CMDA has roughly doubled the maintenance, etc., obligation in the fifth plan by incurring additional expenditure of Rs. 45 crores on non-plan head over and above the expenditure of Rs. 40 crores on plan head to make the total of Rs. 85 crores on completed schemes during the fourth plan.

An interesting point is that this new dose of non-plan CMDA expenditure came along with its own source of meeting recurring expenditure from Octroi.

The Taxes on Entry of Goods in Calcutta Metropolitan Area Act, 1970 (subsequently, West Bengal Act V of 1972) became operative simultaneously with the CMDA Act in 1970 by way of another Central Act. Thus the non-plan expenditure of CMDA and Octroi came together in 1970. According to the Octroi Act as of now a maximum of one-half of the Octroi revenue would be distributed between the municipal authorities on the basis of population as grants for supplementing their revenues. The other half is to go to the CMDA and it shall be applied by the CMDA for servicing and repayment of loans raised as well as for the execution of any development project in the CMD. The anticipated share of CMDA's Octroi revenue in the fifth plan period is some Rs. 30 crores. Obviously, a similar amount is expected to be distributed amongst the municipalities in the fifth plan. This raises a possible interpretation:

- (a) if municipal share of Octroi is for supplementing municipal revenue to maintain CMDA non-plan schemes; and
- (b) if the joint State-Municipal front is required to sort out pre-CMDA fiscal problems as a legacy of the past without attaching Octroi revenue.

LEGACY OF THE PAST

To take the latter first, though the two are interwoven, it can be generally said that the house of finance in respect of the municipal governments in the CMD is in a bad shape. As a testimony to this one may refer to the report on Budget Estimate 1973-74 of the Calcutta Corporation and cite that the opening balance of Calcutta Corporation was (—)Rs. 7.28 crores on 1st April, 1973. The same on 1st April 1974 was estimated as (—) Rs. 12.68 crores. The closing balance on 31.3.75 was estimated to be (—)Rs. 15.53 crores. But such a phenomenon has gallopingly developed since its inception in the middle of the sixties because of complexities generated in the State-municipal fiscal relations. Calcutta Corporation has been arguing for many years now to get more revenue from the State Government out of the receipts like motor vehicles tax and amusement tax on the basis of the precedents in Bombay and Madras as well as recommendations of the Local Finances Enquiry Committee, Taxation Enquiry Commission and Zakaria Committee. But the State Government has its own difficulties now in settling such demand because it is rooted in the undefined fiscal-administrative relation regarding maintenance between local self-governing institutions and statutory authorities. The relation, however, trends towards gradual de-scaling of the role of municipal authorities in matters of urban development and increasing dependence on

State revenue to maintain these. The result has been that State-municipal functional-cum-fiscal relation is undergoing a process of gradual indeterminacy since many years now. The magnitude and complexity of the problem is only increasing year after year. This prolonged indefiniteness in State-municipal fiscal relation adds a new dimension to the problems of maintenance administration as it stands to-day.

At the time of framing the fourth plan of West Bengal the CMD area had a share of some Rs. 43 crores. The maintenance and operation cost of these plan schemes would have been a liability of the State Government even if there had been no CMDA and no Octroi. In other words, the Government of West Bengal would have to sort out with the municipalities and Anchal Panchayats this financial problem of maintenance and debt servicing of the plan component of CMD fourth Plan. As CMDA and Octroi came together it can be interpreted that what we are to relate is the new maintenance obligation of non-plan CMDA schemes and new revenue from Octroi. Similarly, it can be argued that the municipalities' share of Octroi, a revenue which came with non-plan expenditure of CMDA, is for maintenance of non-plan CMDA schemes. The backlog of municipal resource gap ending in plan commitment is to be sorted out by the State in its regular channel. In other words, the point is that all Octroi revenue including municipalities' share is to be linked with the committed obligation in debt servicing of CMDA's loans, as statutorily required, and maintenance obligation of non-plan CMDA expenditure and organizational expenses of CMDA. In that case the State Government will have to, as it had had to, take resort to some other fiscal arrangement to sort out with the municipalities the other two aspects of the total financial problem, *viz.*,

- (a) the legacy of the past financial problems like negative opening balance, eaten up funds, etc., and
- (b) maintenance obligation of plan schemes.

A HYPOTHETICAL PICTURE

This interpretation asks for linking total octroi revenue with maintenance of CMDA non-plan expenditure and debt servicing of CMDA loans. The State Government is required to sort out separately the rest as a legacy of the past State-municipal fiscal indiscipline including the maintenance obligation of the plan schemes. According to this interpretation the new fiscal problem after 1970 will appear to be fully met if municipalities are asked to use Octroi for debt servicing and maintenance of CMDA non-plan expenditure and State-municipal front is asked to sort out the backlog with other fiscal-administrative tools based on functional distribution. A hypothetical picture of the post-1970 non-plan operating budget is given below regarding CMDA schemes in Table 2.

Table 2

A HYPOTHETICAL NON-PLAN OPERATING BUDGET OF THE CMDA

	Rs. (in crores)
1. Total 4th Plan expenditure of CMDA Schemes	135.0
2. Total 4th plan expenditure of completed CMDA schemes requiring maintenance from 1974-75.	85.0
3. Part of (2) above under plan head.	40.0
4. Part of (2) above under non-plan head (2-3)	45.0
5. Total 5th plan maintenance expenditure for total CMDA completed schemes (i.e. Rs. 85 crores)	25.0
6. Total 5th plan maintenance expenditure under plan schemes (proportionately on Rs. 40 crores as a tentative device).	11.8
7. Total 5th plan maintenance expenditure under non-plan CMDA schemes (5-6)	13.2
<i>CMDA Non-Plan Operating Budget for the 5th Plan Period</i>	
8. Debt servicing liabilities of CMDA loans (at 6% 12 years on Rs. 66.8 crores including total market loans of Rs. 46.2 crores + Central Government loan of Rs. 20.6 crores).	40.0
9. Maintenance expenditure of non-plan CMDA schemes.	13.2
10. Organizational expenses of CMDA	5.5
11. Total expenses.	58.7
12. Receipt from Octroi (including Municipalities' share) i.e. 2 x 30.0	60.0
13. Balance	1.3

It requires to be stated that such a distinction of plan and non-plan schemes has limited analytical value and is no longer tenable from the fifth plan onwards. The above analysis provides only a premise before sitting across the table for meeting the time-old problem of maintenance administration of development works in the CMD. This further indicates that the problem is not insurmountable provided, of course, the approach towards solution is based on systematic thinking and rational considerations. But the widely publicized observation in this context is that this fiscal-administrative problem in the CMD cannot be solved in the given system because of the municipalities who, it is alleged, are only neglecting their existing works and clamouring for more share of State revenues. The natural corollary of such an impression is the recent adoption of maintenance power of CMDA schemes in the CMDA Ordinance by which, as noted earlier, it could adopt maintenance works and impose betterment levy or ask the beneficiary local authority to adopt maintenance works of CMDA schemes on mutually settled terms and conditions. Does the Ordinance contemplate to centralize maintenance function for the post-CMDA developments?

MOVE FOR CENTRALIZATION

Such a move for centralized maintenance of water supply, drainage, sewerage, clearance of night soil, and garbage disposal for the CMD was attempted earlier by enactment of the Calcutta Metropolitan Water and Sanitation Authority Act, 1966 wherein it was mentioned that this Authority shall have the power to take over also all existing municipal responsibilities, powers and administration relating to these functions so as to provide all the people of the area with these services. It was further mentioned that on and from the date the Calcutta Metropolitan Water and Sanitation Authority (CMWSA) takes up the responsibilities of any such function, the municipal body concerned shall correspondingly reduce its rates by such percentage as may be determined by the Government in consultation with the said body concerned. For the purpose of meeting the operating budget the Authority was given wide financial powers:

- (a) water charge based on consumption;
- (b) a surcharge on water charge for sewerage;
- (c) a graduated tax ranging from 5 per cent to 15 per cent on assessed annual value of holdings; and
- (d) a further tax, not exceeding 5 per cent, when the municipal services of collection and disposal of garbage have been taken over.

For purposes of such taxes in the municipal areas, the Authority was empowered to use the valuation figures as used by the municipal bodies. For other areas like non-municipal towns the procedure was that the General Manager should ensure assessment of annual valuation of holdings. The method to be used for such valuation, as stated in section 34(I)(b) of the CMWSA Act, is more or less the same as that used by the municipalities. In other words, it meant municipal standard valuation of holdings without municipalization in the non-municipal towns for purposes of a few functions.

It can be seen that the Act gave wide financial powers to the CMWSA. But in actual practice this Authority did not assume its full role because of stiff resistance from the municipal front who managed to have equal number of Directors (*i.e.*, 3) in the Board and a majority of voting members in the General Council—the Council which retains the power of ratification of all decisions of the Board regarding annual budget of the Authority including matters like loans, taxes, fees, charges, etc. (The Government does, of course, have the ultimate power to decide on a matter of dispute between the Board and the General Council.) In the early years the Authority made an attempt to take up the powers of water supply from the Calcutta Corporation. But it could neither coax nor cajole the municipal front to part with their traditional power of maintenance administration of water supply. Similarly, an emergency water supply scheme had been under construction since 1962 in many

of the 63 non-municipal towns in the CMD. The Authority could not also take up the job of maintenance administration of the completed schemes in any such town administered by Anchal Panchayats where there is an administrative vacuum in such maintenance because of urban standard water supply system and rural standard fiscal power. The Authority had been doing only construction works like other implementing agencies and today, after supersession, its implementation function is controlled by the CMDA. Now the CMWSA stands as a non-existent entity in matters of centralized maintenance administration in the CMD. It may be noted that the suggestion for creation of such an autonomous authority came from WHO in 1959 and then by UN Special Fund in 1962 as a pre-condition made with the Government of India for financing the preparation of CMD's Master Plan for Water Supply, Drainage and Sewerage under the guidance of the WHO. The CMWSA with all its financial powers is, therefore, an example of abortive move for centralizing and solving the problems of maintenance administration in the CMD.

CMDA VIS-A-VIS CMWSA

The maintenance power of the CMDA *vis-a-vis* CMWSA has two radically different aspects. First, the distribution of executive power in the CMDA has been made in such a way that the municipalities have much less power in the corporate body where the municipal representatives come by Government choice and not by municipal election. Secondly, the fiscal power of the CMDA in matters of maintenance is substantially less than that of the CMWSA and akin to only one financial power of the Improvement Trusts, *viz.*, betterment levy. This levy is, however, a credit to the capital account of the Trusts. Assuming that this will be used for maintenance by the CMDA it may be said that the success of financial administration of the maintenance function by the CMDA depends on betterment levy which is its single recurring source of money outside, of course, State assistance, if any and Octroi, discussed earlier. But, whereas CMDA has only betterment levy for all CMDA schemes including those of the Improvement Trusts, the latter has many other sources of finance to meet the operating budget for Trust schemes alone. For example, the credits to the revenue account of the Calcutta Improvement Trust are interest earned in administration of betterment fee, a terminal tax, a 2 per cent as Stamp duty, a customs duty on export-import of jute, a 2 per cent tax on annual valuation of holdings in Calcutta, annual recurring sum like rent received by the Trust, etc. It appears, therefore, that with betterment levy alone the CMDA will not be adequately equipped to meet the financial obligation of maintenance of CMDA schemes. Accordingly the absence of municipal control in the Authority will not help much in maintenance administration of the CMDA schemes. Hence, the financial aspects of the problem of maintenance administration will have to be solved either from State resources or from municipal resources.

But it is an obvious point that the State Government will not be enthusiastic to part with State resources for eternity to bear the total financial obligation of CMDA schemes. This leaves only one situation where the future maintenance of CMDA schemes depends financially on local finance (and State assistance) after municipal acceptance of maintenance administration of CMDA schemes on mutually settled terms as laid in section 17(B) (2) of the CMDA Ordinance. Hence attention needs to be focused on persuading the municipalities to accept the schemes on mutually settled terms and conditions regarding finances and administration of CMDA schemes.

FISCAL MISCONCEPTIONS

But currently attempts are made, though superficially, more to show that the fiscal problem in the CMD cannot be solved at the local level because of structural defects in the system of local finances in the area. For example, it was said that "Low Percentage of City Ratepayers" is one of Calcutta's main problems that hinders urban management by the Corporation. If the carried impression is that this is peculiar to Calcutta, then it is incorrect because the system of property taxation in India does not distinguish between the type of ratepayers in Calcutta and that in any other city. The prevalent system of property taxation in India is that it taxes the premises (land and buildings) in the municipal towns and cities for the services like water supply, drainage, sewerage, conservancy, lighting, etc. The fact is that all people are paying municipal taxes via the holdings they live in as owners or occupiers or owner-occupiers. The truth is that Calcutta people are paying less municipal taxes by the standard of per capita tax; systematic thinking should, therefore, start from that end and not at the percentage of ratepayers.

Similarly, there is a lamentation for absence of a so-called "Commuter's tax" and it is argued that these commuters are enjoying city amenities and do not pay for them. This also is a superficial statement. The argument loses its scope if the entire Calcutta Metropolitan District or at least the conurbation is conceived, like Greater Bombay, as one city government by following (say) the recommendations of the Rural-Urban Relationship Committee (1966). In fact, the entire CMD is one functional area though there are many local governments in it and it is hardly justifiable to tax for movements within the District. On this score people commuting out of Calcutta should also get tax relief. Moreover do not many of these commuters pay the whole property tax as due in the municipalities of their residence? The people commuting from non-municipal towns and other rural mouzas do not, however, fall under this category. The answer for this is not definitely a blanket commuter's tax but selective treatment of these people living in non-municipal towns or rural mouzas in an overall State (municipal) system of separate budgets and differential grants. It must be remembered that prejudged conclusions like the above do not help diagnose the real problem. The

solutions, if arrived in this way, will tax ABC for advantages enjoyed by XYZ without having any recourse to tax efforts of institutions and ability to pay of individuals.

Further, it is also being argued that the maintenance obligation of CMDA schemes should be met by imposition of new taxes like terminal tax, steeper tax on profession, trades and callings, employment tax, etc. Each of these has shortcomings of its own besides the overall question of the inappropriateness of the attempt to ask to pay for local facilities by any method whatsoever. To take this latter point first, the local public finance in the CMD leaves much to rationalize and any piecemeal device to scratch this or that tax out of the system without doing that rationalization will simply worsen the situation. Technically speaking, local services should be maintained by the beneficiaries. To be added to this is the policy implication of giving some services free/subsidized to the weaker section people as some sort of minimum needs. The question that arises is who will subsidize for these local civic services to the weaker section? Will the local people do this? Will State exchequer do this? Or will this be demanded from the National Government? All these questions are hanging in the balance for years together now without any treatment worth the name after initiation of urban development. A beginning needs to be made to have fiscal broad sheet in a systematic way in the CMD Capital/Operating budgets before accelerated urban development is further afoot.

It is necessary to fix the priorities in the context of the programme of fiscal actions for meeting maintenance obligation of the CMDA schemes. For example, the progressive system of property tax in Calcutta does not go well with the proportionate system in the CMD municipalities. It mixes up the benefit principle and ability to pay principle in giving local civic facilities for the same set of urban people in the CMD. Similarly, terminal tax is being used for the Calcutta Improvement Trust for a long time now since 1911. But this is in the Union list of our Constitution now and its imposition in some other form concerns the Government of India and perhaps also all other metropolitan centres. The decision on this is to be made at the Centre-State level and can never be the plea for overlooking the older need for rationalizing the base of local finance by suitable local measures after possible identification of assessable gaps in the tax structure. In the same way, there is little scope for getting sizable revenue from the tax on professions, etc., so long as the Constitutional limitation of Rs. 250 per annum as the maximum exists. Hence whatever may be attempted at higher levels they must be matched by rationalization of local finance, striking a balance between ability and benefit, utilizing the existing gaps in the given system, diversifying the municipal finance by choosing appropriate enterprizes and planning schemes that will be revenue-earning directly and indirectly and, finally, scientific allocation of local taxes collected by State. But to attain all these it is necessary to have a superstructure of State-municipal understanding in local development and local finance.

THE CORE PROBLEM

The primary hindrance to the development of such State-municipal understanding or, in other words, the crux of the fiscal-administrative problem in maintaining Calcutta's urban development arises from the fact that the mainstream of urban development is de-linked from the urban local authorities without understanding their inviolable role in matters of local mobilization of resources as well as maintenance and operation of local services. As a result, the possibilities of tapping the hidden treasures in local taxation have remained unearthed along with the under-rated local government system for a long time now. But urban development is primarily a local affair and planning is essentially a political process. Planned urban development cannot but suffer in a situation where local development process is indifferent to local politics. The direct fiscal problem that arises from such a situation is that when the system requires urban local governments for meeting the annual loan obligation and maintenance charges of local capital improvement works, the local governments pay back in the same old coin of indifference. The resulting situation is not only one of increasing drainage of State exchequer without prospect of return from local fiscal base but also irresponsible, infructuous and inflated expenditure in general administration in the municipal governments out of sheer desperation. It is important to take a decision as to whether local governments are to be strengthened to allow them to play its own substantive role in local urban development including its maintenance.

Local Government cannot be killed because of the avowed goals at National and State level to sustain grassroot organization. Hence the only choice is to strengthen local public institutions as urban development agencies because activities in urban development are local public activities. But before that it is to be ensured whether the local governments as public institutions in the CMD are capable of accepting the new role. In order to analyze this we may first take a stock of the situation in different categories of local governments in the C.M.D. There are four broad types:

- (a) Calcutta Corporation,
- (b) Municipalities,
- (c) Non-municipal towns under rural local self-government, *viz.*, Anchal Panchayats, and
- (d) Rural mouzas under Anchal Panchayats.

The city government of Calcutta, as enshrined in the Calcutta Municipal Act 1951, is not capable of accepting this new role because there is no centralized, coherent and identifiable executive which can cherish an 'executive will' to play the central role in planned urban development. The executive wing of

the city government is compartmentalized between ornamental Mayor on the one hand and the Chairmen of some nine statutory Standing Committees aided by a watch-dog Commissioner as the chief administrative officer deputed by the State Government. A possible answer to the problem may be found in the form of one cabinet-type statutory Standing Committee, *viz.*, Mayor-in-Standing Committee. The other alternative is a strong Mayor as the Chief Executive as prevalent in the Presidential system.

Statutorily the municipalities are in a position that ensures a responsible and authoritative executive in the Chairman of the group of Commissioners. But here comes the challenges from disarrayed thrust of rapid urbanization in the past leading to the complex issues ranging from finance to area plan involved in municipal development in the diverse local governments of municipal towns, non-municipal towns and rural mouzas. Some criteria have to be evolved to redefine and re-structure the various types of local governments to meet the objectives of optimal planning areas and viable political institutions in the backdrop of the metropolitan Calcutta.

The non-municipal town is a unique example where local public administration is lagging behind the process of urbanization. Actual fiscal administrative problems were already knocking at the door in these areas due to acceptance and implementation of urban standard public facilities like the emergency water supply schemes which the rural local government cannot administer. But the problem has long since been awaiting solution because there is no one standard answer to this problem of rural administration of urban areas. The routine executive solution of the problem is either to make them new municipalities or to make them annexed to the adjoining municipalities. But new municipalities cannot be created because it will mean further proliferation of tiny municipal governments which has so often been stated as a hindrance to the development of the metropolis. Annexation cannot be attempted because the new towns do not have any confidence in the capability of the municipalities and are afraid of being robbed of their tax-paying capacity without commensurate civic facilities. Here, again, some criteria have to be evolved for a meaningful solution of administration of the urban fringe in consonance with the needs of municipal development plans and optimal local governments.

The fourth variety, *viz.*, the rural mouzas are also governed by the Anchal Panchayats as the non-municipal towns are. These are within the delineated metropolitan district because functionally these were considered to be linked with the neighbouring urban units. But the appropriate organizational machinery needs yet to be devised for meaningful rural-urban integration in the CMD. To coalesce these variegated organizations there are, in the existing literature, some eight probable solutions of reformation of metropolitan government and/or rural-urban integration. Based on leading thoughts in the field as well as the recommendations of the Rural-Urban Relationship Committee, Basic Development Plan for CMD, Committee on Urban Land

Policy, Zakaria Committee Report, etc., the following notable suggestions (some complementary and others substitutes) emerge:

- (1) The recommendation of the Basic Development Plan for the Calcutta Metropolitan District which proposes, *inter alia*, creation of some 11 special purpose (functional) authorities plus some 9 big municipalities by consolidation and annexation and orderly development of rural fringe at the outskirts of the non-municipal towns by liberalising the conditions for annexation in the Bengal Municipal Act, 1932.
- (2) One municipal government recommended by the Report of the Rural Urban Relationship Committee 1966.
- (3) Metropolitan Planning and Development Authority recommended by the same as an alternative to one metropolitan government for planning and development of area-wide functions (This leaves local functions to local authorities).
- (4) Toronto and Greater London type two-tier metropolitan Government.
- (5) Regional planning and development at the unit level of district by District Planning and Development Authority by means of integrated approach to both urban and rural problems.
- (6) Merging of the Departments of Municipal Services and Panchayats at the State level.
- (7) Direct involvement by Central Government for planned urban development in the metropolises.
- (8) In the light of preparation of municipal development plans purposeful executive action should be initiated by negotiation, persuasion and fiscal control for annexation and consolidation towards formation of viable (consolidated) municipalities. Metropolitan plus other area-wide regional planning (along with State Planning) should be adopted to ensure coordination by sanctioning funds for urban development to different Departments of State Government after screening of schemes through the municipal development plans as well as metropolitan and other area-wide regional plans.

TWO UMBRELLAS

The advantage of the last-mentioned suggestion lies in the fact that it does not curtail the authority of existing political institutions in municipalities and departments of State Governments. Instead, it furnishes an organizational frame that ties regional plans, town plans and functional plans along with maintenance function of municipalities in meaningful administrative relationship. It will bring town planning, urban development and municipal services or maintenance under one umbrella. The same will be under the super-umbrella concerned with State and regional (area-wide) planning including

metropolitan plan. The latter will evolve schemes of wider connotations to be translated into action by the agencies under the lower umbrella. The logic of the two-umbrella proposition follows from the axiom that planning is an executive function. It is an aid to decision making. Planning services may, therefore, be located as staff aid to decision-making points, *viz.*, departments in the machinery of the Government. It is necessary to bear in mind the theoretical distinction between executive plan and non-executive plan. Examples of the former class will be functional plans of the executive departments of the State Government and/or municipal plan under governance of both municipality and the controlling State Municipal Department. Such plans have direct executive mandate though there may be occasions for conflict between functional plans of departments and areal plans of municipalities. An example of non-executive plan on the other hand may be a metropolitan plan/regional plan which is conceptually a higher level research-type plan but can be executed only through functional departments and municipalities. There may be conflicts between such regional/metropolitan creative plans and functional/municipal administrative plans. Such conflicts are part of public life. Conflicts are not evil; in fact, conflicts are sources of growth: what is evil is the absence of a well-defined mechanism for conflict resolution with regularity. Such mechanism should be reviewed from time to time to ensure optimal use of scarce resources by suitable interplay of technical considerations on the one hand and people's desire on the other. In other words, the mechanism should admit the reality that decisions are always political and they should be made also as much technical as possible at any given point of time to attain efficiency in democracy.

In the context of town and regional planning, the usefulness of the following reorganisations may be worth examining. First, it may be convenient to adopt planned municipal area development as an executive function of the State Government in the concerned Department of Municipal Affairs to bring coordination in municipal services (maintenance), town planning and urban development. The functional plans of different departments will then have to fit into these (conceptually) higher-level town area plans. The department may be renamed as the Department of Urban Administration after incorporating the administration of the various development authorities concerned with urban affairs and planning institution doing town plan. This department will help first-tier coordination in sanction of funds to different agencies doing urban development after screening of schemes through municipal town plans. Secondly, metropolitan plus other bigger area-wide regional planning along with State Planning may be initiated as (conceptually) still higher level plans to ensure second-tier coordination of urban and regional development. This mechanism will be responsible for sanctioning funds to different Departments including the new Department of Urban Administration. The sanction to the latter will be made after screening of town planning programmes through the metropolitan and other bigger area-wide regional

plans as well as the State plan, to ensure coordination of town planning with regional and State planning towards developing the quality of life of the people. It may be noted that this system will replace the prevalent talks of coordination in thin air by coordination through the mechanism of sanction of public finance. Finance being so big a constraint has been made the lever for coordination of schemes through successive stages of town and regional plans. The Departments of Planning and Urban Affairs remain as separate Ministries but in a meaningful hierarchy with provision for two-way flow of information and expertise for coordinated town, regional and State development.

TOWARDS A SOLUTION

The existing system has been looking for criteria since a long time now on the basis of which it can find out appropriate solution for reformation of metropolitan government in the CMD. Side by side with experimentations in creation of Authorities an experimentation was also made towards formation of a Corporation by consolidation in the line of the recommendations for viable Corporations of the Basic Development Plan. Accordingly the new Howrah Municipal Act 1965 (West Bengal Act No. XVII of 1965) attempted to form the Howrah Corporation by merging the municipalities of Howrah and Bally along with three non-municipal towns and eleven rural mouzas comprising of a total area of 38.5 sq. miles and a total population of 7.4 lakhs. But the Corporation could not actually be formed because of differences in the financial situation of the municipalities of Bally and Howrah as well as State apprehension of higher expenditure in the larger administrative set-up of the new Corporation. The act has now been repealed by the Howrah Municipal (Repealing) Act, 1974 and has thus put an end to this gesture for reformation of metropolitan government and rural-urban integration in the CMD. The results of these experiments reveal that traditional municipal powers cannot be curtailed without persuasion by creating authorities as in the case of CMWSA nor can municipal authorities be required to lose their identities as such without negotiation in the name of reformation of urban administration as in the case of the Howrah Corporation. This political aspect of urban planning administration needs to be given due care and consideration in any future more to find the ideal solution of the current fiscal-administrative problems of urban development especially in the context of the immediate solution of the problem of maintenance administration of CMDA schemes falling on different types of urban and rural local governments.

It is now clear that this problem of maintenance obligation cannot be construed as a mechanical work of cost calculation and revenue projection on a totality basis for the CMD because maintenance requirements generating under one government cannot be met by revenues generating under another. From this point of view the calculation of surplus revenue of Rs. 1.3 crores

at the end of an earlier section on 'Legacy of the Past' has also no *a priori* value in the eventual reality in maintenance administration of CMDA schemes. Moreover, it has also been seen that no realistic attempt for solution of this problem can be made by treating the problem as merely a metropolitan fiscal problem. Rather the full gamut of local and State finances as well as municipal and metropolitan planning administration including the politics of planning need to be sorted out in the decision of this problem. The important point to comprehend is that the problem is one but has many aspects like fiscal, administrative, and political; the solution should also be one but after considering all these aspects. Hence the problem of maintenance obligation of CMDA programme cannot be solved without a clearer picture of the framework for local and metropolitan planning administration and State-municipal fiscal adjustment.

The problems needed to be tackled are not new in the situation and they have been persisting since the inception of the process of planned urban development in Calcutta from the early sixties. But unfortunately the trend of urban planning and development in the Calcutta situation has been increasingly looking towards the higher echelons of government at the cost of the local government and local finance system. Metropolitan planning and development is meant to a great extent for people at the local level. The local government system is also an integral part of the total governmental system. Therefore, the problems of metropolitan finances and administration are to be tackled in the appropriate framework of metropolitan and local planning, administration and finance.

Unless this is done, the neglect meted out to the local government system will automatically come back as a boomerang when the higher level captains of urban development will perforce look back to the local government for acceptance of maintenance obligation of the schemes to carry on the fruits of development to the doors of the people. In fact, unless the local government system is involved in the planning and development process it cannot gear up to mobilization of bigger resources for maintenance. In that case, the system of urban development will have to depend increasingly on State finances meaning in the ultimate analysis draining out of more and more State revenue without any prospect of recouping the same from the local level users. This is neither feasible nor desirable from the points of view of sound fiscal management. But raising money from the users of urban development pre-supposes a motivated local self-government institution. Hence there is no way out but to have a responsible and responsive local government system to match the follow-up actions of gigantic metropolitan development. Otherwise the local government system needs to be banished so that the State can call back the delegated functions to run according to its needs. Our stock in trade here reveals that creation and suspension of CMWSA, enactment and repeal of the Howrah Municipal Act, adoption of statutory maintenance power by CMDA, etc., are actions on this direction with little impact on the core problem

of maintenance administration. It may not be out of place to take note of the fact in this context that the first attempted solution by way of creation of authority, *i.e.*, CMWSA was taken at the instance of the global authorities. But that was created in disregard of the local aim, aspiration and authority. As a result of this the CMWSA is just what it was not meant to be. It was also seen that the success of the latest experiment in the maintenance power of the CMDA depends on mutuality of relationship with the municipal front. But this cannot be attained unless coordinated decisions are taken regarding planning, finance and administration in the backdrop of the reality of the inviolable role of local self-government as maintenance agency. This alteration in bias towards local government is nothing unsound in political theory of democracy as well. Hence the solution lies not in thrusting organizations from outside nor in keeping the local government system weak, but in strengthening it at suitable points by fiscal, administrative and planning tools as well as functional bargaining at organizational level in actual process of executive works of the Municipal Department so that the municipal front may join hands as a co-partner with the State system in the grand process of social and economic amelioration of the CMD. Unless this is attempted right now it is not only the State exchequer which will be in jeopardy in the future but also the whole system of State administration wherein the local system can be compared to an iceberg whose one-tenth is above the water line but nine-tenths of the reality are invisible. The decision-makers need to visualize also this below-the-water-line part and take recourse to actions accordingly to save the system of urban administration in the CMD from breaking in near future.



*Evaluation of Metropolitan Development Programme**

S.K. ROY and P.K. SAHA

METROPOLITAN Development Programme consists, in essence, of converting a set of planning concepts into a bunch of construction projects and implementing the same in accordance with a time bound programme. Metropolitan development plans are to be conceived as part of the national and regional planning strategies and are to be based on overall planning perspective complete with specific goals and objectives. Normally, these are abstract concepts painted on a large canvas. The transformation of these abstract concepts into a set of concrete projects is the most vital step in the whole exercise. Crisis of urbanization possibly began with the beginning of urbanization itself. Cities of the middle ages have invariably been described as filthy and stinking. Advances in technology occasionally provided temporary reliefs. Relief has also been sought in dispersal of growths. But in spite of all these, the cities have continued to remain as problem spots defying the ingenuity of the urban experts. It is not that the causes are not known or that some remedies cannot be formulated. The vital question is how to translate these ideas into practice. And here in effect all that an urban development programme can consist of is a package of schemes with priorities assigned to them on the basis of a 'Plan'. Again though comprehensiveness of approach is much trumpeted, this package has to be subpackaged sectorally under water supply, housing, roads, etc., to be handled by sectoral specialists. To formulate a balanced and rational development plan it is necessary to determine the project priorities and evolve a programme that would bring maximum benefits within the available resources.

The purpose of this paper is first to attract attention to the need of inter-sectoral coordination and interaction of planning activities at various levels—Conceptual, Comprehensive, Sectoral and Project levels—for evolving a meaningful programme for metropolitan development. The paper then highlights the basic issues and problems involved in evolving a rational technique for determination of project priorities and also offer suggestion for

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establishing methods of quantitative evaluation and selection of projects for the development programme. For convenience, examples have been drawn from the Calcutta Plan. The discussion made in this paper, however, reflects only the personal views of the authors and may not be taken as the official views of the CMDA or any other organization. The basic issues, however, are not confined to Calcutta case only; they apply to other metropolitan cities as well.

CALCUTTA EXPERIENCE

Planning for Calcutta's Development in the metropolitan scale started with the setting up of the CMPO in 1961. The basic Development Plan (BDP) for the Calcutta Metropolitan District was published by the CMPO in 1966. This was conceived as a 20 year perspective plan (1966-86) with emphasis on basic concepts and essential policies to stimulate and guide the more detailed planning and development of implementation programmes. It was desired that the coverage should be extensive and the BDP was to be followed up by a series of separate volumes presenting detailed plans and implementation programmes for Water Supply, Sewerage and Drainage, Traffic and Transportation, Bustee Improvement, Industrial and Commercial Development, Housing and Education. Besides, detailed urban structure and area development plans were also promised for which the BDP established the framework for design and execution. The CMPO subsequently came up with two sectoral plans: the Traffic and Transportation Plan (1966-86) and the Master Plan for Water Supply, Sewerage and Drainage. The first based on a comprehensive transportation planning study dealt with the current problems estimated the likely future travels and recommended a 10-year programme identifying a number of projects with preliminary outline plans for some of these. The Master Plan for water supply, sewerage and drainage was a much more detailed document. It envisaged supply of filtered water, waterborne sewerage and underground storm water drainage systems for all areas of the CMD where population density exceeded 25 persons per acre. In absence of comprehensive development plans for the CMD it assumed a growth pattern for both residential and industrial activities, the major water consumers and consequently contributors of sewage and went on to develop the water demand, sewage flow, drainage patterns, etc., on that basis. It also assumed certain levels of services. Based on these a set of proposals were developed some of which, especially those related to the city proper, were followed up to the design stage for trunk level facilities. In rest of the fields where planning activities were promised in the BDP such attempts were only sporadic and no comprehensive plan emerged out of such attempts.

Thus when the CMDA came into existence in late 1970 with an idea to undertake massive urban development programme to 'stem the rot' in this problem metropolis of the East, it had almost no planning yardstick against

which to test its programme. All that the CMPO could provide was a list of projects mainly in the fields of water supply, sewerage, drainage and traffic and transportation. In the preceding years the State had very little fund for its sectoral programmes in the CMD. The various work units of the state thus had in their hands all conceivable sorts of project works in various stages of completion or project readiness. The CMDA thus faced the task of making its pick out of these assorted groups of projects so as to frame the CMDA's work programme. Some of the projects were framed purely with short term ends. For more than a decade past very little development work was taken up in the CMD. There were tremendous backlogs in water supply, drainage and road networks in the municipal areas. The existing stock had deteriorated in quality in absence of adequate maintenance. New residential areas have sprung up in the urban fringes which did not have any such facilities worth the name. In case of water supply, proposals had already been drawn up to increase the municipal supply to an average of 20 gpcd through the Emergency water supply schemes many of which were already being implemented. It was, therefore, a straight choice to include all these into the CMDA's programme. Similarly, selection was rather uncomplicated for such projects as repair of municipal roads and improvement of roads in the non-municipal urban fringes as the need was always there and the fund was now available. But all these were what is currently called the 'fire fighting' programme and were designed to stave off further deteriorations in utilities and services. As such they cannot properly be categorized under Metropolitan Development Programme which should have loftier goals of rehabilitation rather than rescue. The list of course included quite a few such long term rehabilitative programmes but their inclusion in the Programme was made not on the basis of any study of priority for selection but was based on more or less arbitrary decision.

PROJECT PLANNING

Even a cursory look into the some of the projects will clearly emphasise the predicament that CMDA was in. Calcutta Corporation was one of the major project implementing organization working in the CMD and obviously when the CMDA came into existence their work programme for the 4th five-year plan period came up for inclusion in the CMDA programme. The list of works put up by Calcutta Corporation ranged from construction of 60 million gallons a day rapid gravity filter at Palta to changing of a 3" filter water main in Rama Kanto Set Lane to 4" diameter. So far as the Corporation is concerned, both are essential components of their water supply system. But in a metropolitan development programme they cannot find place in the same hierarchical level. There was no mechanism available to test the relative importance and even essentiality of these two items in the programme for improvement of water supply in Calcutta. The 60 mgd plant clearly aimed at

increasing the quantum of available water to the city. But to make this extra water available to the consumers the whole hierarchy of pipe lines may need modifications, and should be done simultaneously to reap the full benefit. May be the leakages in the system if rectified would have provided much of this additional water. Again Rama Kanto Set Lane may easily be one of the areas of water scarcity with claim to better supply. But this scarcity may be due to lack of pressure in the zone mains or less quantity of supply rather than lack of capacity in the pipeline. Improvement on these first two counts depend on actions elsewhere and mere enlargement of the main at local level will not be of great help. In the absence of detailed project plan based on overall study of the system it was clearly not possible to grade the schemes of even such varying types based on their relevance to the Calcutta programme. But a selection had to be done even though there was absence of any rational yardstick.

A sectoral project may now be taken up for discussion. The Garden Reach Water Supply System is one such project. The Master Plan proposed to divide the whole CMD into 5 service districts. Garden Reach is one such service districts. In the list of projects available for CMDA provision of filtered water from Garden Reach Water Works was included. The Master Plan proposal for Water Supply in this service district in the first phase (*i.e.*, up to 1981) envisaged withdrawal and treatment of 60 million gallons of water from the river Hooghly at Garden Reach, transmission of this water through primary grids to the various areas of demand and distribution of the water at pre-determined rates for domestic and industrial uses through secondary grids in the Municipal areas of Garden Reach, South Suburban, Budge Budge and the adjacent areas with population density over 25 persons per acre. The Master Plan had assumed certain broad patterns of population and industrial growth and proposed the capacity of the water works and the primary grids accordingly. But no project level planning was available. Here was clearly a case where selection of a project, though basically of a single sector called for multisectoral interaction and linkages with higher level planning especially on three counts:

- (1) The population projection which lead to the projection of water demand and form the basis of the further levels of detailing.
- (2) Spatial distribution of the population and the projection of industrial growth in the service district both of which in turn depend on planning decisions in other sectors of development.
- (3) Viability of the design standards in the background of the socio-economic developments of the intervening decade.

Clearly, directives on these counts are crucial to any project planning effort, however limited in scope, as in their absence there can be no effective check on the rationality of the assumptions which underlie the project

plan. The need for an improved water supply system was, however, felt as genuine. Project selection was thus made on the subjective assessment of this need with the hope that once the flow of fund for implementation of the project was assured detailed project plans would somehow follow. But such a selection process not only overlooks the need for an overall inter-sectoral assessment, it even neglects the evaluation of priorities between the intra-sectoral schemes.

The next example of a single-sector project may be drawn up from the Traffic and Transportation sector for discussion. The comprehensive Traffic and Transportation Plan (1966-86) had identified a number of expressways needed to provide a primary highway network for improvement of the accessibility of the metropolis. Barrackpur-Kalyani Expressway is one such highway component. Initially when this project was recommended for inclusion in the Calcutta Development Programme, the basic planning strategy was of a two-centre metropolitan development—one in the central core and other in the Bansberia-Kalyani area. The Barrackpur-Kalyani Expressway was considered as an essential element to stimulate the growth in Kalyani-Bansberia area together with a new bridge at Kalyani across the Hooghly. During the last decade the metropolis has grown on a multi-nucleated pattern instead of following a bi-focal structure. In that context the Barrackpur-Kalyani Expressway loses the urgency and priority, particularly because the alternative road between Calcutta and Kalyani has still adequate reserve capacity and is only about 6 miles longer. This indicates how the priorities of projects are related to the overall planning frame and it is essential that projectising exercise should be directly related to the high level planning exercise in a continuous manner.

PROBLEMS AND ISSUES

It is abundantly clear from the examples cited in the above paragraphs that project planning and project selection cannot be meaningful if planning functions at different level are not properly interrelated. CMDA is probably the first organization in India that undertook the metropolitan development programme in all its facets over a wide metropolitan region. The programme included water supply, sewerage and drainage, traffic and transportation, health and primary education, bustee improvement, area development, etc. The project planning, however, suffered great deal because there was no mechanism in the organization to provide the necessary inputs from the next higher planning level. This resulted in lack of integration and absence of coordination both in terms of space and time sequence. The need for having planning support at the next higher level within the organization, however, was realized by the CMDA. This will enable concentration on spatial, sectoral and metropolitan structure plan and to provide the necessary statistical and conceptual inputs needed for project planning. Metropolitan

development programme depends to a great extent on good project planning to maintain the tempo of the implementation programme. The development programme cannot succeed unless the project planning functions are directly interlinked with the next higher level. Planning activities are to be organized as a continuous feedback process in between the total planning group and the implementation group. This highlights the need and importance of performing the total planning functions within the Development Authority's institutional frame, so that a well-coordinated and integrated built-in-system for planning and implementation can be established.

With the arrangement outlined above it is possible to fill up the planning gaps of a metropolitan development programme and initiate a planning process in which the project planning, sectoral planning, comprehensive planning and conceptual planning will be inter-related and inter-linked and guide each other to develop a rational and realistic metropolitan development programme. But it is fair to admit that even with such a system there would be quite a number of basic problems which are to be faced in establishing a rationale for project selection in the true sense of the term. The following five basic issues are taken up for discussion:

- (1) What should constitute the metropolitan development programme? Since the metropolitan development objective provides wide range of activities from economic development to augmentation of specific facilities, a demarcation and delineation of items of action would be necessary.
- (2) What should be the level of infrastructure to be covered in the metropolitan development programme?
- (3) What should be the rationale in determining intra-sectoral project priorities? What are the tools and techniques available?
- (4) What should be the rationale for determining the inter-sectoral project priorities?
- (5) What should be the basis for programme evaluation and selection as well as for capital budgeting? Is it possible to evolve any technique?

These issues are taken up for discussion in the subsequent paragraphs. It is perhaps necessary to admit that specific lines of action for bringing rational solution to these issues are yet to be evolved and the subsequent discussions do not claim to contain clear answers. The purpose, however, is to primarily focus the issues and attract the attention of planners, economists, sociologists, administrators and others to try to find the answers.

Issue I : Metropolitan Development Programme Components

Analysis of the 'programme packet' of the Calcutta Metropolitan Development Authority indicates that projects of certain categories once considered to

be very necessary for the Calcutta development were dropped subsequently. This brings in a fundamental point for consideration: 'What should and what should not find place in the Metropolitan Development Programme'? Development of a metropolis includes economic development, social development, physical development and environmental development. Traditionally, the physical development gets major emphasis in a Metropolitan Development Organization, because the crisis of a city becomes apparent from the inadequacy of the civic services. So though the ultimate goal of the development programme is to stimulate the economic growth, the action programme usually consists of projects for infrastructure improvement. The physical structure of the metropolis should be developed to sustain the economic structure and also fulfil the social objectives. There should be adequate infrastructure as well as buildings to support the physical structure. Thus though infrastructure is only one element of the total development process, this gets the major attention.

In the Basic Development Plan the primary objectives of the development for the Calcutta Metropolitan District were identified as under:

- (a) "To promote a more dynamic growth of the metropolitan economy with increased production and income, with sufficient employment opportunities, and with close integration with the economic development of the region for which Calcutta provides vital economic functions.
- (b) To develop an urban environment which is socially satisfactory and capable of sustaining with appropriate facilities and services a population of about 12.3 million in the CMD by 1986.
- (c) To create the machinery for sustained development planning and for effective plan implementation within a coherent growth framework for the CMD and the State.
- (d) To strengthen local self-government and citizen participation in the development of the Metropolitan District through a more effective mobilization of local fiscal resources, civic leadership and voluntary citizen effort."

Thus the growth of metropolitan economy was highlighted as the first objective of the Development Plan. But in practice the projects and schemes taken up for implementation are mostly for physical improvement and their contribution to metropolitan economic growth are not ascertained. The main reason for this perhaps is that though the objectives included a broad spectrum of activities, the actual transformation of these objectives into a set of specific action-oriented schemes and projects materialized only in the sectors dealing with physical improvement. The socio-economic objectives in fact could not down to the reality of action for lack of projectization. Ideas may find place in perspective plans, but the programme is to consist of projects. Planning shall

be more meaningful if this reality is remembered. Hence before embarking on a metropolitan development programme, the basic plan components should be identified and their structure established. This will provide a basic rationale for selecting the projects in the development programme.

Issue II : Level of Infrastructure in a Metropolitan Development Programme

A question is often raised 'whether a metropolitan development programme should include schemes like replacement of a 3 inch water pipe or repair of a 6 ft wide lane or cleansing a choked sewer pipe' etc. The first reaction to such question is perhaps 'no'. But, it is not easy to discuss the question so easily in cities where normal maintenance functions are grossly neglected by the municipal bodies and where a huge backlog of deficits and maintenance gaps already exist. It is difficult for the Development Authority to totally dismiss such scheme, as the success of the development programme shall depend on proper functioning of the existing system. At the same time, the development programme can not include the total maintenance activity of the metropolis. Then where is the border line? The CMDA obviously faced the same problem and had to include in the work programme, a number of schemes for road repair and maintenance of existing facilities. In future the magnitude of such problem shall increase due to the need for maintenance of the facilities newly created by the CMDA. No body perhaps will dispute the need for maintenance of urban facilities—the moot point is "who should do such maintenance". This should be defined and delineated; otherwise the development efforts shall be frustrated. In this context a realistic policy decision is to be taken so that the level of infrastructure that should be taken up in a metropolitan development programme can be properly defined and specified.

Issue III : Intra-sectoral Project Priorities

The end product of any development planning exercise is a number of identifiable construction projects. The development planning should have comprehensiveness of approach no doubt, but the 'Plan' shall ultimately be composed of projects grouped in a number of sectors like roads, water supply, sewerage and drainage, housing, etc. The projectizing of metropolitan plan shall have to be done by technical specialist of various disciplines and whatever be the arrangement of inter-disciplinary coordination, sectoral bias to a certain degree is inevitable. It is necessary to evolve a mechanism to overview the sectoral plans and set out priorities of the total programme package. But in order to do so, the intra-sectoral priorities are to be determined first. The projects of any particular sector should have inner consistency and should form part of a total system. The system may be divided into sub-systems to be phased in time sequence. The inter-relationship of the individual projects within the sector should be properly recognized and their role in the

total system/sub-system identified. It is then possible to attribute time-scale priorities to the projects as system/sub-system components so that the desired goal of achieving certain service standard may be reached within the predetermined time period. In the projectizing exercise there is also a need for priority analysis in the economic scale. If a choice is to be made between alternatives what should be the basis? The determination of priorities should preferably be based on quantitative assessment of the need. Properly planned need studies will be able to translate an evaluation of the needs of the particular service system (say, the geometric and structural needs of highway facilities) into understandable rupee terms. In this study a major part will be to measure the deficiencies for which it is necessary to prepare a set of measurable conditions by which acceptability of the facilities can be determined. This set of standards is called "tolerable standard". The determination of tolerable standards shall involve subjective value judgement no doubt, but if this is done by a group of qualified technical personnel, the individual bias could be overcome and objectivity can be brought in in the thinking process. More important is that the needs for different components and different areas would be subject to an evaluation measure against the same set of accepted tolerable standard. This will establish a quantitative assessment of priorities of the needs. The results of the needs study usually will show that far more facilities are deficient at the time of the needs study than can be improved/reconstructed because of financial limitations, in a short period. A programme of improvement, placing first things first, may then be prepared. The need study also shows the need which will be present each year in the future and these future needs must be assimilated into the total plan for eliminating all needs. Investment analysis then may be made, which will afford a means of spreading out the needs data so as to provide long-range and year-by-year cost estimates for a financial programme. The investment-analysis and need study together will be a very useful tool in programming. The engineering study will provide an estimate of the cost of bringing each component of the facilities to adequacy within a period of time, and the investment analysis can be used to adjust the needs study findings to show costs of extending the improvement over a long catch-up period, as well as the needs which will accumulate in future years. In essence priority determination of a number of projects of one sector shall be evaluated on the basis of relative deviations from standards, the essentiality of service and time of need. Various tools may be used for this purpose. The Sufficiency Rating System is one such tool for priority analysis of highway system. Quantitatively highways are rated according to the structural adequacy, anticipated remaining life, maintenance economy, safety of traffic operation, road roughness, capacity, etc. The Sufficiency-Ratings will aid in establishment of priority of improvements; minimize the element of personal judgement, and keep political and community pressure to a minimum and evaluate the ability of road section to carry traffic speedily and safely. Sufficiency-Ratings, however, do not consider the relative benefits of one highway

over another or the cost of construction. Cost-benefit analysis shall reveal more meaningful picture in this regard. The cost of construction of a project including the cost of acquisition of land, if any, is normally worked out as a part of the engineering project report. For proper economic evaluation, the cost should consist of the capital cost of construction, land acquisition including administration and other overhead costs incurred for the projects and also the annual cost of maintenance and operation as well as interest charges on the capital cost. The benefits shall include the direct and indirect benefits in rupee terms as well as the social benefits most of which, however, may be difficult to translate into specific rupee value. The ratio of the benefits and the cost of any project indicates the desirability of undertaking the projects. The benefit-cost ratio provide a basis for quantitative evaluation of projects of any sector but it has many limitations in practice. The quantification of benefits particularly the indirect ones is often difficult. Then the basic question of "benefits to whom"? has to be properly considered. The benefits to the user and benefits to the authorities do not always follow the same line. Considering the users' benefit, a heavily subsidized public transport project may have a very favourable benefit-cost ratio—but from the authority's point of view this may be an economically undesirable scheme. The benefit-cost ratio does not again indicate the economic soundness of the project in absolute term. For example, between two transportation projects, one for easing out traffic congestion at a problem spot in the city and another for opening up a new area for industrial growth, the benefit-cost ratio of the first one may be more favourable than that of the second one (in consideration of the rupee value assigned to the time saved for a large number of people using the area in reducing the delay even by a couple of minutes, say) but for economic growth the second project should be preferred because the few minutes saved of individuals will contribute little to any productive work. There are other limitations also. But nevertheless, benefit-cost analysis is a convenient tool to determine the relative desirability of selecting projects of similar categories. The sectoral programme may be subjected to such analysis to obtain intra-sectoral priorities.

Issue IV : Inter-sectoral Priorities

The intra-sectoral priorities discussed in the preceding paragraph may be determined by benefit-cost analysis. But it is hard to determine the inter-sectoral priorities as this would require complicated value judgements on which objective analysis becomes quite difficult. A conventional cost-benefit ratio computation does not help as the nature of benefits from projects of two different sectors may be entirely different and efforts to quantify them for the purpose of comparison shall yield limited result. For example, the benefits of a new highway project may be quantified in terms of cost of fuel saved in a shorter speedier alignment, cost of reduction of accident, cost of time saved

in the journey, etc. It is futile to compare such benefits with those of a water supply project. A simple way to avoid the problem is to select a few sectors for action and assign a general priority on the basis of the general need of the particular sector. Looked from this view water supply shall get the maximum priority since water is vital for human existence. But the problem is not so simple since the issue to decide is not always like "whether water to drink or road to travel". The issue usually is like this: "either an increase of water supply from 10 gpcd to 20 gpcd or an improvement of a earth road to a paved one—which one should be taken up?"

The usual analytical techniques are of little use in such cases. The expressions 'maximization of benefits', 'optimization of return', etc., are often declared as objectives of planning but when the activities spread over a wide spectrum of physical, economic and social development projects, efforts to rationalize the thinking and decision making process through mathematical analysis of optimization, opportunity costs, maximization of benefits, etc., hardly yield any result. At the same time the danger of sporadic *ad hoc* 'point' decisions in isolation should also be kept in view and some sort of 'rationale' should be developed for project selection and determination of priorities.

The sectoral master plans are usually formulated on the basis of a study of the demand and supply of the existing facilities, and forecasting the future demand consistent with future metropolitan growth. The facilities needed to meet the future demand are planned on the basis of certain norms and standards. The sectoral master plans are prepared by sectoral experts on the basis of their assessment of what should be provided to the future users, but there is no compatibility of standards between the sectors. For example, when an expert on water supply fixes his standard for future Calcutta as say 60 gpcd he in no way is involved with the standard set down by a housing expert for shelter or the standards set down by a transportation expert for the public transit. Moreover, the time element is not given the due importance. The minimum need standards and target dates to achieve them thus remain unknown. But this could perhaps be the starting point of infrastructure development planning in the metropolitan programme. The infrastructure facilities must be consistent with the economy of the metropolis. The minimum basic standards should be set down in that context and the development programme then would aim at achieving those standards within as short a period as possible. Once this minimum need and supply situation get stabilized there should be efforts for improving the standard. For new growth, the considerations would, however, be different. This would be viewed against the potentiality of the economic return for the investment.

Issue V : Programme Evaluation and Capital Budgeting

The foregoing paragraphs present the problems in determining priorities of projects in a metropolitan development programme. In a situation of limited financial resources, it is a painfully confusing task to allocate the

resources. The common and conventional capital rationing techniques like annual cost calculation or benefit—cost-ratio computation or rate of return assessment or determination of net present value, etc., will be of little help in evolving a rational system of capital budgeting for metropolitan development programme. Metropolitan development programme shall consist of projects of various sectors. What optimum 'project mix' would bring maximum benefits—is the basic question. Since the 'mix' would contain projects with different objectives—physical improvement, economic growth, social welfare—determination of 'best mix' would certainly involve some amount of intuitive value judgement. There is need and scope for rationalizing this judgement process and it is necessary to set down guidelines for quantitative evaluation of the projects of different categories. The main focus of all development projects is the people. An essential step to the quantification of project benefits is to know the existing as well as likely future distribution of population in all the planning areas, zones and sub-zones over the metropolis. Based on these demographic data and the basic 'standards' set down for various sectoral service facilities, it is possible to work out basic need-supply ratio, for various facilities in all the planning areas. This will provide a measure of physical improvement needs. The economic stimulation to be provided by the projects may be quantified on the basis of output, employment and growth parameters and expressed as economic stimulation index. The social benefits may be measured on the basis of quality of the community facility provided and the population served by it and may be quantified in terms of social development index. These three elements—the need-supply ratio, economic stimulation index and social development index—may be utilized to establish a 'rationale' for the evaluation of development programme. It is, however, obvious that this type of quantitative assessment devises its basis from the subjective value judgement while developing the norms but this will bring in objectivity in the evaluation of the specific projects and programmes. Theoretically, the answer to capital allocation problem should be formed by what the economists call marginal analysis. A point would be determined at which additional rupee expended on one programme would yield less returns than additional rupee spent on another. The resource allocation would be optimum when the returns from the marginal rupee allocated to each programme are equal. In actual practice such optimality analysis are perhaps not possible. The resource allocation may better be made on the basis of evaluation of the project/programme in terms of the ratings of the need-supply ratio, economic stimulation index and social development index.

In depth-studies and research are needed to develop methods of such analytical evaluation of urban programmes.

CONCLUDING REMARKS

The urban development programme in India is still in the stage of infancy. The irresistible force of urbanization is pushing ahead. India cannot be an

exception. By the turn of the century the urban population in India would exceed two hundred millions. The CMD would be a giant 'megapolis' with about 15 to 16 million people. Bombay would also double its size and Delhi would come close. The metropolitan development programme shall have to be geared to face this explosion.

Evolving rational and realistic programmes for metropolitan development will be a continuously demanding task in future. This will require collective efforts on part of the physical planners, economists, sociologists, administrators and political leaders. This will also require increased participation of people in the process. Hopefully our experts and people will come closer to evolve some sound framework of the metropolitan development programmes which would transform and develop our cities into places economically more vibrant, socially more dynamic and physically more attractive than ever before.



Administrative Coordination and Citizen Participation for Plan Implementation

H.U. BIJLANI

ANY planned development should satisfy a twin requirement of pre-conceived situation of socio-economic activities, their placement and linkages and a pre-planned coordinated action programme comprising of legislative, financial and administrative measures necessary to achieve that preconceived situation. In this paper we shall discuss the administrative steps necessary to achieve coordination in plan implementation. Girish Misra in his paper on "Planning Paradigm for Integrated Urban and Regional Development" has aptly brought out a theory of frontier growth foci envisaged for the country. These are:

- (1) Growth Poles at the national level.
- (2) Growth Centres at the national level which comprises groups of states.
- (3) Growth points at the sub-regional level which comprise a state.
- (4) Service centre at local or district level.

For a coordinated action programme the national urban development plan should form the fountain head and plans for the rest of centres should merge into this.

VARIOUS LEVELS OF INTEGRATED PLANNING

Any plan whether it is for a service centre at local or district level, or growth points at sub-regional level comprising a state, should merge with the growth centres, and growth pole at the national level. To ensure the success of such coordination, it is essential that the various agencies work towards common goals. The guidelines for an integrated national policy are laid down by the Planning Commission. Based on these guidelines the states prepare a plan for their own regions. While preparing such plan, the planners should carry out the stock taking of 'past performances' and should also examine and assess the past failures and successes. They should also set goals to be achieved in different fields of activities depending on the policies which they formulate keeping in view the guidelines laid down by the Planning Commission.

Population, for example, is one very important factor. Examining the past statistics and demographic surveys population projections are made which would indicate not only the natural growth but also the growth of population which takes place due to rural influx caused by the pull of the urban cities. Outlines are, therefore, to be defined first whether the cities in the State should strengthen the satellite towns or the nearby regions to avoid at least to some extent this influx. Accordingly, the provisions in the plans will have to be made. Unless the spontaneous rural-urban migration is turned into a positive development asset through strategies of deliberate urbanization in areas where additional employment is planned, the consequences of population explosion in urban areas specially in a developing country like ours will be catastrophic. Similarly, the level of education achievements and the level of education desired to be achieved has to be worked out. Such drills will be necessary in all other components like health, transport, etc.

THE STATE PLAN

The State plan is split up into two broad documents—one giving the outline and the other showing the statements of different projects, past performances and future provisions. The State plan must ensure that various city governments, development authorities, service undertakings frame proposals which are coordinated and interlinked effectively. For example, it should be seen that the water supply undertakings frame proposals for laying of their service mains, water treatment plants at such locations where the city needs the same and the Development Authority is responsible for developing virgin land, or construction of housing projects would benefit from such schemes. Similarly, the State Government has to be aware of programmes of other departments and ministries in the Central Government. Enquiries should be made and meetings held to seek information from railways, defence authorities and the departments dealing with industries at the Centre to know their programmes in that region. The State Government then prepares sectoral plans in the fields of agriculture, flood control, power, transport and communication, social services, etc. The social services would include programmes concerning education, health infrastructure, water supply and sewerage schemes, housing and urban development programmes, schemes for backward and weaker section, social welfare, etc. It should also have an appropriate wing for watching statistics and also make provisions for information and publicity. The planning machinery of State should be strengthened so that all the above activities can be performed effectively.

PLANNING THE CITY REGION

The city governments, development authorities and other departments under a State Government also carry out a parallel drill and prepare their

plans and proposals sector-wise. Their plans are also divided into two major sections—the one comprising of write ups and the other of scheme-wise statements depending upon the activities for which the State Government or the development authority is responsible. The sectors have to be in line with State Government thinking. Normally the sectors to be covered would be roads, education, medical and public health, slum clearance projects, environmental schemes, staff quarters, street lighting, civic centres and other welfare facilities like stadiums, swimming pools, etc. If the water supply, transport and electricity are also with the city government then proposals for these departments also have to be worked out. For each sector specific schemes have to be spelt out and broadly divided into: (a) spill-over schemes, (b) continuing schemes, (c) new schemes. It is only when the State governments and agencies under the control of the State prepare the plans in this manner that a workable well coordinated plan emerges.

ADMINISTRATIVE COORDINATION

The coordination organization has to exist at all these levels. We shall restrict our comments in this particular case only to city governments. In a city government there will be various departments dealing with different sectors included in a plan. There are, however, two major departments which have inter-action with other departments. One of these is 'internal finance' and the other is 'engineering'. The engineering department of a city government has deep inter-action with other sectoral proposals because it has to handle the capital components of other sectors also. Under the circumstances, the engineering department will prepare proposals of not only sectors with which it is directly connected, like road development works, bridges, staff quarters, swimming pools and other community facilities but also capital projects dealing with major departments like education and health. In respect of roads and bridges also it has to have inter-action with other organizations like the transport authority, the railways and the 'land use' control authority. Its road development programmes being carried out by Development Authorities, traffic survey and their future projections, etc., long-term and short-term programmes of water, drainage and electricity with a view to avoid frequent digging of roads. In bigger city governments, the coordination work is normally entrusted to a senior administrator. In some cases this function has been entrusted to the head of internal finance department or the head of the engineering department. The best course, of course, would be to entrust this object to a senior administrator who has multi-disciplinary experience. As can be seen from the Fig. 'A' the Coordinator has to have inter-action not only with the departments dealing with different sectors but also with internal finance, the State Government and in some cases with the Planning Commission.

It is essential that the Coordinator understands the guidelines laid

down by the Planning Commission and the State Government and in turn passes these on and explains effectively to the concerned departments in his organization. The next step then is to get proposals from concerned departments and get them examined from the finance department of that organization. The organization's plan is then ready for submission to the State government but before this is done it is again for the Coordinator to have detailed discussions with the State Government and his internal finance to ensure that the plan merges with the programmes, policies and goals laid down by the State government and the Planning Commission.

After the plans are presented to the State government or the Planning Commission the amounts ultimately received would widely vary from those which had been asked for. It is then again for the Coordinator to meet the concerned departments and his own finance and re-allocate the sums in accordance with the sanctions received. As a matter of fact, the entire drill of re-preparing the plan, revising the schemes within the final budget sanctions has to be gone through. The responsibility of implementation of individual schemes would be that of the concerned departments but it would be for the Coordinator to watch the progress of each department not only in terms of financial expenditure but also in terms of physical progress. For this purpose he will have to lay down proformas, returns, hold meetings and arrange site

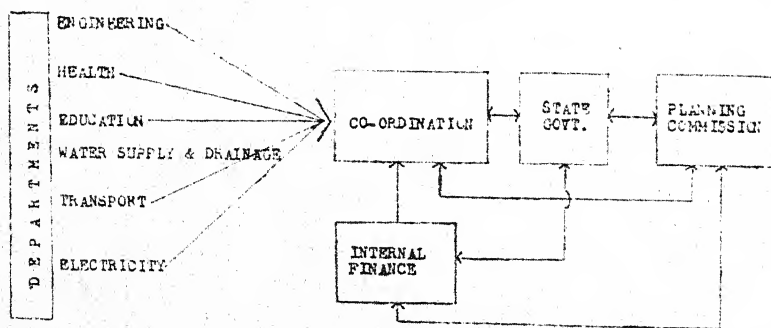


Fig. 'A'

FUNCTIONS OF COORDINATOR

1. UNDERSTANDING GUIDELINES & PASSING ON TO DEPARTMENTS.
2. GETTING PROPOSALS FROM DEPARTMENTS.
3. TRAINING.
4. INTERACTION WITH FINANCE, STATE GOVERNMENT AND PLANNING COMMISSION.
5. WATCHING PROGRESS.
6. FEEDBACK.
7. INTERACTIONS.
8. CORRECTIONS.
9. SIMULTANEOUS ACTION ON NEXT YEAR'S PLAN.

inspections to get the 'feedback'. Often problems are created due to interaction between various departments for which necessary corrections have to be applied. This is a very important function to be performed by Coordinator. As a matter of fact, receiving feedback information, watching the results of inter-action and applying necessary corrections is a continuous process and should result in quick and clear cut instructions to ensure progress and evenly distributed expenditure during the plan period. It is mainly due to lack of this 'Co-ordination' and monitoring that one notices either funds remaining unutilized or bulk of allocation being spent hurriedly and often improperly during the last few months of the plan period.

Prof. Ernest Weissman* has suggested the Fig. 'B' which tries to present graphically the variety of paths with various interactions ranging from individual, local, regional, intermediate, national and international elements can take. Whereas Fig. 'A' has been drawn taking into consideration the present level of development in this country, one should not lose sight of what Fig. 'B' depicts which encompasses wider fields which we have already started recognizing and in time to come will play an important role in plan preparation, implementation and coordination.

CITIZEN PARTICIPATION

As can be seen from Weissman's diagram (Fig. B), Local Government inter-action includes affiliations of individuals, groups, professionals, etc. Importance of this aspect in our country has been stressed by no less a person than the Prime Minister of India in her communication to the Chief Ministers suggesting to give undivided attention to the effective implementation of the finalized Fifth Plan and enlisting of public participation in it. The Prime Minister pointed out that with the finalization of the plan by the National Development Council, its implementation assumed decisive significance. The only way of evaluating the effectiveness in putting through the plan is to see how far the ordinary man benefits and becomes conscious of some change. Performance could not be judged in terms of financial outlays or of demonstrative physical symbols.

Reverting to the City Government, I propose to make an attempt in this paper a workable model of the system which may lead to a better governance of the city. I will do so with the help of a diagram (See Fig. C).

The central entity in this diagram is the Policy Board. The Policy Board will comprise of a Power Pack drawn from the legislators staff as well as the professional staff. This is essential so that the policy programme formulated by this Board, can be implemented without any further administrative, political or financial difficulties. The most important feature is the dialogue which this policy board should have with the citizens' council and the outside

* Former Director, U.N. Centre for Housing, Building and Planning.

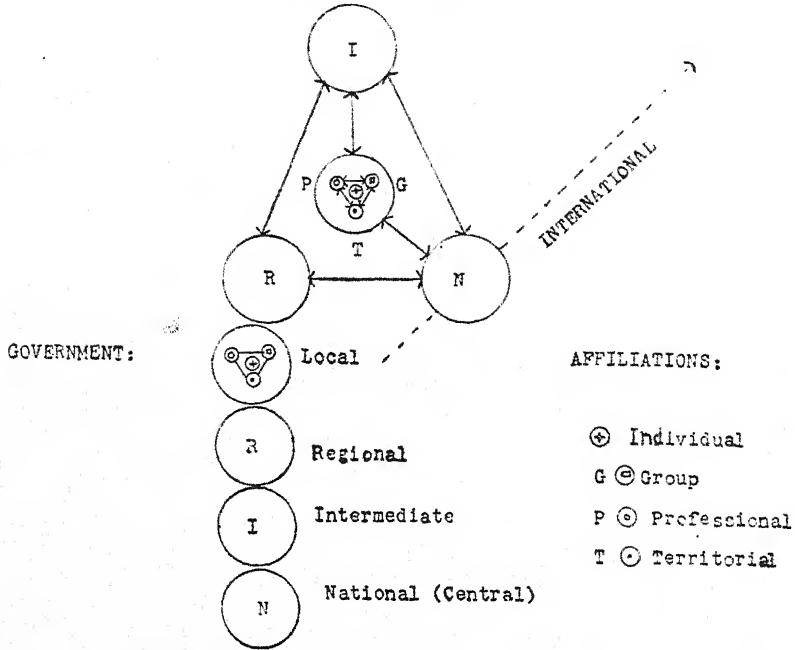
INTERACTION: Citizen/Territory/Government

Fig. B

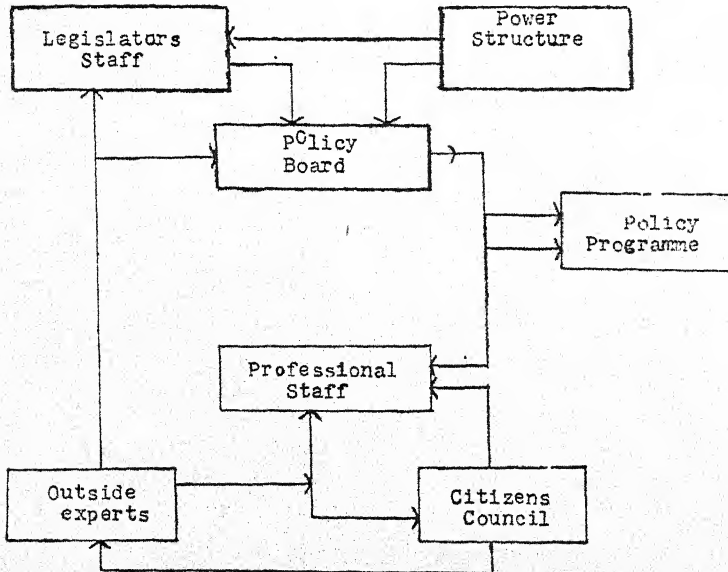


Fig. C

experts. As can be seen from the diagram, it is intended that the citizens council and outside experts should hold discussions at three different levels, viz., at the level of professional staff, at the level of Legislators staff and at the level of Policy Board. The diagram also shows that the citizen's council may have direct dialogue with professional staff because it is felt that for day-to-day needs, certain policy programmes are decided at the level and as such those programmes could be sorted by citizens' council direct with the Professional staff. For the programmes, which can be decided only at the level of legislators it is essential that the citizens' council and outside experts should have discussions not only with the Policy Board but also with the legislators staff direct. The policy programme thus framed can be considered as a programme which has been evolved with public participation and when implemented will be of great interest to the citizens to watch its execution.

In the developed countries, where the civic consciousness comes automatically to its citizens because the same has been inculcated into them through generations of proper education in schools and through television, cinema, newspaper, etc., public involvement is practised in a different manner. Local governments examine their potential future with the help of public participation of younger generation and thus they try to evolve solutions full of imagination to their problems of the future as well as present. Alvin Toffler explains how one way to do so "would be to establish in community 'imaginetic centres' devoted to technically assisted brainstorming. These would be places where people noted for creative imagination, rather than technical expertise, are brought together to examine present crises, to anticipate future crises, and to speculate freely, even playfully, about possible futures.

What, for example, are the possible futures of urban transportation? Traffic is a problem involving space. How might the city of tomorrow cope with the movement of men and objects through space? To speculate about this question, an imaginetic centre might enlist artists, sculptors, dancers, furniture designers, parking-lot attendants, and a variety of other people, in one way or another, manipulate space imaginatively. Such people, assembled under the right circumstances, would inevitably come up with ideas of which the technocratic city planners, the highway engineers and transit authorities have never dreamed.

Musicians, people who live near airports, jakhammer men and subway conductors might well imagine new ways to organize, mask or suppress noise. Groups of young people might be invited to ransack their minds for previously unexamined approaches to urban sanitation, crowding, ethnic conflict, care of the aged, or a thousand other present and future problems.

In any such effort, the overwhelming majority of ideas put forward will, of course, be absurd, funny or technically impossible. Yet the essence of creativity is a willingness to play the fool, to toy with the absurd only later submitting the stream of ideas to harsh critical judgment. The application of imagination to the future thus requires an environment in which it is safe to

err, in which novel juxtaposition of ideas can be freely expressed before being critically shifted. We need sanctuaries for social imagination.

My visit to the City Hall of Toronto taught me more about the art of city government than all the great speakers I heard and the books I read. I was reminded of the following lines of verse:

'One impulse from the Vernam wood can teach us more of man
Of all the evil and the good than all the sages can.'

The City Hall deliberations are watched by citizens from the galleries which are so made that the citizens think they are participating in the entire government of the city. How I wish they could make the citizens, by some uncanny miracle, actually take part in city government. Can we do so by some method?

That is the question. In an answer to this question lies the clue to our problem.



*Organization for Urban Development**

MOHIT BHATTACHARYA

IN organization theory literature, the relationship between organization and environment has in recent times been the subject of increasing investigation and theorizing (Rice, 1963; Emery and Trist, 1965). This strand of thinking is useful in understanding organizational changes in response to environmental demands created by growing urbanization. The urban areas are served by a number of organizations to undertake a variety of tasks such as medical and public health facilities, transport, education, fire-fighting, parks and recreation, roads, housing and slum clearance and improvement. Specialization of tasks is a familiar phenomenon in the urban areas and this gives rise to various types of organizations—public, semi-public and private. The effectiveness of 'urban government' is dependent on the ability of these diverse organizations to adapt themselves to the fast changing urban environment.

A major theme in the recent organization studies has been that some pattern of organization and behaviour seem to be more appropriate to certain environment and task characteristics than others. (Burns and Stalker, 1961; Rice, 1963; Lawrence and Lorsch, 1967). Based on a study of business firms in different environments, the research work by Lawrence and Lorsch showed that the more effective organizations negotiating more diverse environments had attained higher status of both 'differentiation' and 'integration' among subgroups than the less effective organizations. The diversity of environmental demands called for, on the one hand, greater differentiation; on the other hand, a high level of integration was achieved to bring together the differentiated subgroups.

Another recent study focussed on the adaptiveness of the urban school systems to changing environmental demands has concluded by suggesting that the differentiation—integration model 'can be applied in human services organizations to better understand the consequences of environment for organization even though the setting is quite different from the business

* Presented at the Conference on "Urban Development: Problems and Issues", organized by the Indian Institute of Management Calcutta. (IIMC), September 27-28, 1974. *Courtesy: IIMC.*

organizations originally studied by Lawrence and Lorsch and most other systems theorists' (Garbarro, 1973).

The 'environment' of urban organizations can be defined as their task domain in terms of clients, tasks and services which each organization stakes out for itself (Levine and White, 1961). Shifts in demands in the task domain constitute critical pressures from the environment to which an organization has got to respond for its survival and effectiveness. Several studies and reports on Indian urbanization have highlighted the fact that our major urban areas are faced with ever-rising demands for essential urban services which the urban institutions are unable to meet.¹ A recent United Nations Study (1970), reporting *inter alia* on the administration of selected urban services such as water supply, education, mass transport and public housing, observes:

"In almost all the cities studied, the present supply of services is usually inadequate for the demand. Readjustments in governmental institutions appear in some instances to be necessary, if the cities are to receive the services which they need."

The Rural-Urban Relationship Committee of the Government of India had undertaken a special study of 100 municipal bodies in the country to find out the adequacy or otherwise of the civic services provided by them. To quote the Committee Report:

"The study has revealed the gross inadequacy of municipal services in all class of towns, except in a few cities, where per capita expenditure exceeds Rs 40 per annum. In 50 per cent of the local bodies studied, the per capita expenditure on public health and sanitation is less than one rupee annually. Water works exist in 33 of them and only 10 have underground sewerage. Most of the medium and small towns have no drainage system. Even in the larger towns, there exist open drains and in sizable cities like Gorakhpur, Hyderabad, Kanpur, and Lucknow, nearly 40 per cent of the streets are lacking in proper drainage facilities. In Hyderabad, Kanpur and Lucknow, more than 60 per cent of the houses have no connection with sewers. In Calcutta, one latrine serves 30 to 50 persons. In Guntur, Ludhiana and Tiruchirappalli, where protected water supply has existed for 55-60 years, the per capita daily availability of water is as low as 13, 15 and 24 gallons respectively. In Shahjahanpur, where the Municipal Board has been in existence for about 100 years, the basic amenity of protected piped water supply was absent until recently, and the people had to depend entirely on private wells."

¹See for instance,

- (i) J.F. Bulsara, *Problems of Urbanization in India*, Bombay, Popular Prakashan, 1964.
- (ii) *Report on Augmentation of Financial Resources of Urban Local Bodies*, Government of India, 1963.
- (iii) *Report of the Rural-Urban Relationship Committee*, Government of India, 1966.

These evidences point up the inability of the municipal system in India to adapt itself to the rapidly changing environment. Within itself, the system has not been able to evolve sufficient 'differentiation' in respect of the environmental demands on its task domain. Nor has it succeeded in achieving 'integration' through an efficient executive system to cope with the rapidly changing environmental situation. Executive efficiency has been seriously hamstrung by the fluidity of executive-deliberative relations which have greatly impaired the capability of the municipal system (Ali Ashraf, 1966; Rosenthal, 1970).

Urban development has originally been the responsibility of the municipal system. The 'value' of the system has been consistently going down because of its persistent default in sending out satisfactory 'output' to the environment which provides it with the inputs for its sustenance (Sherwood, 1969). Its failure is essentially attributable to the blockages in its conversion process in the sequential import-conversion-export processes that an organization has to do to live (Miller and Rice, 1967). In consequence, the municipal system is today on the verge of being an 'expendable' institution (Selznik, 1957).

This explains, to a great extent, the rise of new institutions in our urban areas such as the Urban Improvement Trust, the Development Authority, the Housing Board, the Slum Clearance Board, and the Water Supply and Sanitation Authority.

TECHNOLOGICAL DIFFERENTIATION

Another allied way to look at organizational differentiation in our urban areas is to view it as the acceptance of sufficient discontinuity in the technology of each discrete task system (Miller and Rice, 1967). It is hypothesized here that the technology in the sense of import-conversion-export processes of a task system, say, slum clearance and improvement, is sufficiently differentiated to warrant a separate organization for it. Prior to Independence, the British-Indian view of 'urban development' had been to improve the conditions of urban living only in limited areas chosen selectively within a city. To undertake the task of 'city improvement', improvement trusts were set up in some major cities. The physical boundary of the improvement trust would be coterminus with that of a municipal authority. Apparently, this concept of dual government in a city area was justified on the basis of tasks differentiation. Whereas these two types—improvement trust and municipal government—have been coexisting, a kind of 'organization set' (Evan, 1966) has evolved out of the interaction of both. The municipality finances part of the operations of the improvement trust which in turn completes certain tasks and hands these over to the municipality for their upkeep.

Since the inception of the improvement trust, the idea has gained ground that 'development' (UD) or the creation of new assets is analytically different from 'maintenance' (UM) or keeping the stock intact. The technical nature of

each task is unique. Hence, the organization for the accomplishment of UD should logically be different from that for the accomplishment of UM. Following this trend of thinking, special development authorities have been set up in large number of cities and towns all over India. The Table 1 shows the Statewise distribution of development authorities named differently as improvement trust, town planning trust, planning and development authority, development corporation, and development authority.

Table 1

TYPES OF URBAN PLANNING AND DEVELOPMENT AUTHORITIES IN INDIA

<i>State</i>	<i>Type of Development Authority</i>
1. Andhra Pradesh	Town Planning Trust (only for Vishakhapatnam)
2. Assam	Development Authority (only for Gauhati and Tinsukia)
3. Bihar	Improvement Trust (only for Patna, Ranchi and Muazffarpur)
4. Gujarat	Nil.
5. Haryana	Improvement Trust (for all major towns)
6. Himachal Pradesh	Improvement Trust (only for Simla)
7. Jammu & Kashmir	Planning and Development Authority (only for Srinagar and Jammu)
8. Karnataka	Improvement Trust (only for Mysore and Bangalore) .
9. Kerala	Town Planning Trust (only for Cochin and Calicut)
10. Madhya Pradesh	Improvement Trust (for all major towns).
11. Madharashtra	City and Industrial Development Corporation (State-wide operational area)
	Improvement Trust (only for Nagpur)
	Pimpri-Chinchwad New Town Development Authority
	Regional Planning Board (for Nasik, Sangli, Aurangabad and Kolhapur)
12. Orissa	Improvement Trust (only for Cuttack)
13. Punjab	Improvement Trust (only for Amritsar, Jullundur and Ludhiana)
14. Rajasthan	Urban Improvement Trust (for all major towns)
15. Tamil Nadu	Madras Metropolitan Development Authority (for Madras Metropolitan Area only)
16. Uttar Pradesh	Improvement Trust (for Ghaziabad only). Development Authority is proposed for Kanpur, Agra, Varanasi, Allahabad and Lucknow.
17. West Bengal	Calcutta Metropolitan Development Authority
	Improvement Trust (only for Calcutta and Howrah)
	Development Authority (only for Durgapur)
	Planning Organization (for Calcutta Metropolitan area, Siliguri and Asansol)
18. Delhi	Delhi Development Authority.

SECESSION OR UNION?

It seems there is implicit acceptance of UD as a discrete function with a distinctive technology of its own. In setting up an organization for UD, however, there are differences of 'opinion'. According to one school of thought, the organization for UD should not only be differentiated from that for UM but also detached from the latter. The instances cited in Table I bear testimony to this approach. There is another diametrically opposite point of view that supports integration of the two through their incorporation in a single organization. The differentiation of the two tasks is, of course, acknowledged; but the idea of creation of two separate organizations is not entertained. Historically, the fate of UD organization has oscillated between separation and merger, depending on the temporary dominance of one point of view or the other.

Along the time path, the organizations for UD and UM have remained consistently separate in some cities like Delhi and Calcutta. In the case of Bombay, the improvement trust as a separate UD organization functioned for a brief span between 1898 and 1933. In 1933 the two organizations were merged, and no other changes were effected afterwards. Recently, a development authority for the Bombay Region has been constituted (BMRDA) which might bring about the old dichotomy once again. Kanpur represents an extreme case where the organization for UD was existing separately until 1959 when the Municipal Corporation organization integrated both UD and UM. After a span of about 15 years, the two have again separated, as the Act has been passed this year for the creation of a separate Development Authority for Kanpur as well as Agra, Varanasi, Allahabad, and Lucknow.

It needs to be emphasised, however, that in both the cases of Bombay and Kanpur, even after integration of the two organizations within the Corporation, the differentiation of development tasks was maintained by creating special statutory committees *viz.* Improvements Committee in Bombay and Development Committee in Kanpur.

One can dig up data about the past in a bid to throw light on the tortuous evolutionary course of organizations for UD and UM. This will be a research in analytical history. Another approach could be to try to explain the nature of the technology involved in UD operations, which has consistently been claimed as unique and very different from the technology of UM operations. It is basically on this ground that organizational differentiation and/or separation have been sought to be justified at different times. For a student of organization, research from this angle may be well worth trying, as it might yield valuable data regarding organizational differentiation and secession due to the impact of technology. Aside from the claims of administrators, we have very little actual knowledge of the precise nature of technology in UD. All the same, specialized organizations are being set up in almost all the states to run UD operations.

The impact of technology on organizational structure (Woodward, 1965) and on psycho-social system (Trist and Bamforth, 1951) has been clearly revealed in a number of studies. Organizational technology, as we have already defined it, stands for the techniques used in the transformation of inputs into outputs in an import-conversion-export system. Sharing the same place in space with an elective municipal organization (organization for UM), an organization for UD seems to have originated in sufficient discontinuity caused by technological differentiation.

It is not for a moment debated that decisions on basic administrative changes are anything but political. The burden of our argument is, however, that political decisions are often facilitated by the considerations as discussed above. What has been stated about general purpose urban development authorities applies equally well to special purpose urban authorities like water and sanitation authority, school board, slum clearance board and others.

ORGANIZATION FOR METROPOLITAN AREAS

At this stage, we may turn to the governmental problems of the 'metropolitan areas' in our country. It is commonly acknowledged that our larger urban complexes such as Bombay, Calcutta, Delhi, Madras and a few others need urgent attention from the organizational point of view, as these areas are bearing the brunt of urbanization. How these areas should be planned and how the plans can be properly implemented to arrest further deterioration in urban living conditions and to give a positive direction to urban growth—these considerations have been weighing in the minds of our national and state planners, informed politicians and involved administrators. This is of course not to underrate the importance of small and medium towns which have a significant role to play in checking the continuous drift toward the big cities.

As discussed earlier, alongside general purpose municipal government, specialist organizations have come into being in the urban areas to deal with specific services. Such organizations are much more numerous in the larger urban complexes (See Table 2). As the higher levels of government directly and indirectly try to direct the affairs of the urban areas, they further add to the organizational crowd. The urban areas are thus caught in a fundamental contradictions. While the physical, economic and social issues in these areas assume a highly interdependent character, a range of governmental units tend to discordantly influence those issues. The basic problems of metropolitan governmental organization is thus to adjust the interactions of different government units to the growing needs of an integrated space. This is a universal problem as "the vital issues of metropolitan organization in urban areas around the world concern the problem of how to design subdivision of work and complementary mechanisms for coordination at crucial points of interdependence" (Walsh, 1969).

Table 2

INDICATIVE LIST OF GOVERNMENT UNITS IN FOUR METROPOLITAN AREAS

Bombay Metropolitan Region	<ol style="list-style-type: none"> 1. Bombay Metropolitan Region Development Authority 2. Municipal Corporation of Greater Bombay 3. 20 Urban Centres 4. CIDCO 5. A number of panchayati raj institutions.
Calcutta Metropolitan District	<ol style="list-style-type: none"> 1. Calcutta Metropolitan Development Authority 2. Calcutta Corporation 3. Chandernagar Corporation 4. 33 Municipalities 5. Kalyani Notified Area Authority 6. 61 non-municipal urban units 7. Over 100 semi-urban anchal panchayats 8. Calcutta and Howrah Improvement Trusts
Madras Metropolitan Area	<ol style="list-style-type: none"> 1. Madras Metropolitan Development Authority 2. Madras Municipal Corporation 3. Some Panchayat Areas 4. Tamil Nadu Housing Board 5. Tamil Nadu Slum Clearance Board
Delhi Metropolitan Area	<ol style="list-style-type: none"> 1. Delhi Development Authority 2. Municipal Corporation of Delhi 3. New Delhi Municipal Committee 4. Delhi Cantonment 5. Lieutenant Governor 6. Central Government Departments

Out of an international comparison of thirteen cities, Walsh has admirably formulated a set of significant generalizations on metropolitan organization which are well worth quotation. Two commonly cited problems leading to metropolitan organization are : (a) problems of geographic unity and (b) problems of functional coordination. *Geographic Unity* is evidenced from the mobility of human beings and goods and services within a defined space. Physical interdependence calls for the introduction of a number of governmental services on area-wide basis. For instance, urban land-use planning and initiation of broad development pattern for the extensive metropolitan area cannot be undertaken by smaller local government units. Secondly, there may be specific services such as housing which would be rendered by individual local units separately. Yet, the operation of each unit might have external effects on other contiguous units. Thus, to ensure metropolitan area-wide effectiveness of a service, the different units might have to be made to act in close collaboration. Thirdly, metropolitan administrative change is often

triggered by a policy to remove inequalities of public needs and resources among different parts of a metropolitan area. Fourthly, metropolitan organization has been advocated on grounds of economies of scale in major urban services. It needs, however, to be cautioned that no conclusive proof is available in support of this argument and it may be safe to say that whether the operation of large-scale services is economical or not depends on the type of service in question. Lastly, the advocacy of metropolitan organization has sometimes rested on the concept of 'internalizing public goods'. If 'pollution' spills over local boundaries, then the efficient jurisdiction to deal with it is wider than the limited local government boundary.

The other argument for metropolitan organization has relied on the needs of *functional coordination*. Activities separately handled by individual units of government have close linkages between themselves. For instance, more housing means more roads, schools, and sewerage facilities. In such a situation, balanced environmental improvement is possible only through 'comprehensive interservice policies and coordination of various clusters of government activity'. On the one hand, institutionalities have to be developed to achieve coordination among different operating agencies. On the other hand, comprehensive policies have to be formulated to 'provide common goals towards which coordinated action can be directed'.

ORGANIZATIONAL ALTERNATIVES

Recommendations on the shape of metropolitan government assume 'inter system relations' in a common geographical space. A supra system hypothesis is often made on the implicit idea that the supra system need in a metropolitan area is bolstered by 'a complex inter-organizational system in which organizations exist as components or subsystems in a larger macro-social system' (Baker and O'Brien, 1971). The presence or absence of an inter-organizational system with component interdependence can be verified empirically with the help of the indices of geographical unity and functional interdependence as discussed earlier. There are many organizational options to induce system-oriented behaviour in a metropolitan situation characterised by a multiplicity of component organizations. Lindblom (1965) has used the term 'partisan mutual adjustment' to indicate a process of spontaneous bargaining and accommodation among the constituents of a system. Alternatively, system integration can be achieved through hierarchical command by setting up an umbrella authority controlling, coordinating and guiding the components or the suprasystem. The CMDA-type of organization best exemplifies the umbrella authority concept. Nevertheless, the organizational designs to conduct metropolitan relationships can range from unorganized bargaining among the constituent units to fully fledged metropolitan government. In many metropolitan areas in the USA, bargaining and mutual adjustment among the component units has been in vogue. In England where local

government is politically valued, fully fledged elective metropolitan government with two tiers has been introduced in the major urban areas. The creation of the regional Prefect for the Paris region in 1966 to coordinate the constituent departmental prefects and to grant funds to the communes and special authorities for specific development project is again an expression of 'centralizing and decentralizing forces and values involved in urban organization'. In India, the rapidity with which the 'development authority' idea is spreading is indicative of a similar expression of prevailing forces and values.

OTHER LEVELS OF GOVERNMENT

Organizational needs to tackle urban development problems cannot be exhausted by creating a system of organization at the metropolitan area level only. In a federal country such as ours where national economic planning has long been in operation, one can possibly envisage a four-layered approach to metropolitan planning and development. At the national level, a national policy of urban and metropolitan development has to be an integral part of the national planning system (Rodwin, 1961). This can be termed the *level of ideology* in the sense that the goals of urban development for the nation as a whole have to be related to the national economic policies. Aside from defining economic goals, evaluating available resources and suggesting appropriate fiscal, monetary and other policies, the location analysis has to be done for plans for specific capital investments such as industries, roads and other major national projects.

At the level of the State Government, the policy implications of national planning have to be understood and related to state planning. It is at this level that more detailed considerations would be necessary to link up urban and rural development, and urban planning and development has to be viewed in the overall context of the State's future development pattern (Lubell, 1974). Economic and population expansion has to be anticipated and adequate mechanisms evolved to control, organize and promote desired habitation patterns. This level can be called the *level of direction*. The State's directional posture will evolve out of interactions between the State and the national planners on the one hand, and between the State and metropolitan and urban planners on the other.

At the level of the urban and metropolitan area, the tasks are to formulate urban and metropolitan plans following the guidelines provided by the state planners, activate the plans, watch over the implementation, and correct imbalances through continuous feedback. This level can be termed the *level of planning*.

Within the urban and metropolitan area, a sublevel would consist of local implementing units. These would be engaged mostly in project formulation and implementation under the guidance and supervision of the metropolitan level agency; unless, of course, the latter chooses to create its own field

organization for these purposes. This sub-level can be called the *level of implementation*. It is through the combined and orchestrated efforts of these levels that an effective attack on urban development problems can be mounted.

SUMMING UP

It might be alleged that this paper does not offer a tabloid solution to the problems of urban organization. This has not been attempted deliberately, as none is available. The underlying motive in this discussion has been to prepare the ground for an understanding of the problems in the belief that understanding is the beginning of problem-solving. Another aspect that needs to be emphasised in this connection is that organizational design is not merely a structural problem. Organizations have to be run by human beings, and a basic problem in organizational planning is, as Argyris (1964) has said, "how organizations might be redesigned to take into account—more fully than has been possible upto this date—the energies and competences that human beings have to offer." The question, therefore, is: Can we design such organizations for urban development?

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*Institutional Alternatives for Urban Development in Calcutta**

ABHIJIT DATTA

WITH the creation of the Calcutta Metropolitan Development Authority (CMDA) and its massive efforts at urban development in metropolitan Calcutta, thoughts are directed to designing a new pattern of government for the metropolis, keeping in mind the inter-dependence of the core city and the suburbs and the need to sustain "a viable system of local government".¹ Keeping these two basic objectives in mind, we would specifically consider the relevance of three broad approaches at governmental reorganization and within these approaches, the various alternative institutional forms suggested for metropolitan Calcutta. The three broad approaches are: (a) single city, (b) special authority, and (c) two-tier system.

SINGLE CITY APPROACH

Under the single city approach, there are three broad alternatives: (i) annexation by the core city, (ii) consolidation of the riparian 30-odd municipalities in the suburbs, and (iii) joint ventures and cooperation.

(i) The first alternative really depends on the eagerness of the Calcutta Corporation to throw its lot with the undeveloped fringe and the willingness of the suburban municipalities to lose their local identities. In the present century, the boundaries of the Calcutta corporation have been extended only twice (1923 and 1953). When the Biswas Commission (1950-51) solicited the views of six suburban municipalities about amalgamation with Calcutta, three rejected the idea and other three agreed on certain conditions. The annexation of Tollygunge by the Calcutta corporation had to be forced on the city; even then its effective integration took almost two decades to be completed. The examples of Bombay and Delhi, where such annexation was forced,

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¹'A viable system of local government' was at the heart of recent reforms of local government in England and Scotland; the term used at the time of London government reform was an 'effective and convenient local government'.

are not different. In Bombay, the annexation was possible on condition of creation of separate budgets for the city, the suburb and the extended suburb; while in Delhi, the municipal corporation argued before the Morarka Commission (1971) for reimbursement of the annual deficit of about Rs. 1½ crores in respect of the rural areas within its jurisdiction.

(ii) The second alternative, for the same reasons as the first, is also rare. In metropolitan Calcutta, the municipalities grew on both sides of the Hooghly as captive service agencies for the jute industry and "no important changes have been made in the municipal boundaries laid down by 1900" (Singh, 1, p. 3). There is only one instance of municipal amalgamation, Uttarpur and Kotrung (1964), and another attempt to do so at Howrah and Bally (1965) in the entire metropolis. The Basic Development Plan for the Calcutta Metropolitan District (BDP) suggested municipal consolidation into 9 viable units, each to be converted into a corporation (BDP, 2, p. 131).

Apart from a broad population range (100,000-500,000) and geographical contiguity suggested by the BDP, no examination was made about the optimum size of local authorities according to any scientific criteria, nor was the question of voter-proximity—an essential ingredient of local government—ever raised. The possibility of a municipal oligopoly emerging in the metropolis and thereby resisting any metropolitan view to persist could also not be ruled out (Sivaramakrishnan, 5, p. 22). It is not surprising that no action followed on this score.

(iii) There is legislative provision permitting joint ventures by the municipalities (section 87—*Bengal Municipal Act*, 1932). But actual instances of such joint ventures are few: ambulance services (Khardah and Panihati), dispensary (Titagarh and Khardah), waterworks (Baranagore and Kamarhati) and ferry services run jointly by a number of municipalities on both sides of the Hooghly would exhaust the list (Singh, 1965, 1, p. 12). On the question of voluntary cooperation, Robson is emphatic in his opinion: "So far as I am aware, it has nowhere succeeded in dealing with any of the great problems of a metropolitan city" (Robson, 3, p. 279).

The single city approach to the problem of metropolitan growth through annexation, consolidation or cooperation is unworkable and "has largely been abandoned" (Robson, 3, p. 279). There is, of course, a solution where the Central Government directly administers the entire metropolis (national capitals), but this cannot be reconciled to the objective of promoting a 'viable system of local government'. "It is essentially a Central Government solution, and therefore not acceptable to those who believe in local self-government" (Robson, 3, p. 277). Sivaramakrishnan's objections to the single city approach are two: (a) the unwieldy size would make it difficult to reconcile intra-area and intra-functional interests within the metropolis and, (b) a politically elected primate metropolis in Calcutta would undermine the authority of the State Government (Sivaramakrishnan, 6, pp. 9-10). The political opposition to annexation and consolidation, as noticed in metropolitan Calcutta, corroborates

objection (a); but, the known experience in India of Delhi, Bombay, Poona and the KAVAI towns of UP do not support the fears entertained at (b). A few overseas experiences may be recounted here: Ottawa (1950s) expanded more than five times its former size, Sydney (1948) absorbed eight adjoining municipalities, Zurich (1934) absorbed eight adjoining communes. However, the "tendency in the world is in the opposite direction, . . . a vast and increasing proliferation of small local authorities in the outlying parts of the metropolitan area" (Robson, 3, p. 275).

SPECIAL AUTHORITY APPROACH

Under the special authority approach, we would consider three alternatives, coexisting in metropolitan Calcutta, created for tackling specific urban development function: (i) local special authorities, (ii) state special authorities, and (iii) metropolitan special authorities.

(i) The local special authorities were first created for limited civic improvement/land development and was later extended to city transportation field. The Calcutta and Howrah improvement trusts (CIT, HIT), salt lakes reclamation and development board, Howrah and Hooghly bridge commissioners, Calcutta state transport and, recently, Calcutta tramways fall under this category. An unique special authority is the smoke nuisances commission.² All these authorities were created by the State legislature. However, within metropolitan Calcutta, there are a few special authorities created by the Union legislature, such as the Calcutta port commissioners and the airport authority. The improvement trusts are really extensions of the two municipal bodies of Calcutta and Howrah, although administered separately. With the changed political ethos in the country, the concept has been challenged and it is argued that local government must exercise political choice in discharging both regulatory and development responsibilities (Datta, 4). Also it is argued, mainly by the town planners, that the improvement trusts need not be limited to the city jurisdiction, nor need these be restricted to limited city improvement; rather, these could be entrusted with the overall planning and development responsibilities for the city and its environs. This view found its expression when in Delhi its improvement trust was converted into a development authority. In Calcutta, it was not possible to convert the CIT into a development authority for the entire metropolis due to its nexus with the Calcutta corporation and the inapplicability of a single-city solution in the Calcutta metropolis.

(ii) The three important State-wide special authorities with urban development responsibilities in metropolitan Calcutta are in the field of housing, power (electricity, gas) and education (secondary-level). More important than

²The powers and functions of the two bridge commissioners are exercised by the Calcutta port commission. The jurisdiction of the smoke nuisances commission covers the twin cities of Calcutta and Howrah and their environs.

these statutory authorities, are the directorates and field organizations of all the development departments of the state government, like irrigation and waterways, public health, engineering, public works, road, housing, medical and health, education, social welfare, planning and so on. This again is a legacy of the colonial past where the state field administration used to discharge overlapping local functions and thereby atrophied the growth of responsible local government (Datta, 4). With the creation of the CMDA, there is a discernible move to integrate many of these activities through the creation of CMDA cells/units in these organizations. Sivaramakrishnan suggests the assumption of the control of these cells/units by the CMDA itself so as to effectively coordinate these activities and establishing a direct line of command (Sivaramakrishnan, 5, p. 19). It is likely that this strategy might gain momentum and cover not only the hardware agencies, but also the social service agencies and the statutory bodies.

(iii) The first metropolitan authority in Calcutta was the Calcutta metropolitan planning organisation (CMPO) created by the State Government (health department) resolution as an "autonomous body" under the Chief Minister. Later, CMPO came to function as a directorate of the development and planning department (T&CP branch). The next metropolitan authority to be created was the Calcutta Water and Sanitation Authority (CMWSA) in 1966 as a statutory organization to take over, operate, and improve upon the existing water-supply, major drainage and sewerage system from the municipalities within the metropolitan area. From the beginning, the CMWSA had an uncertain start. Opposition from the local governments in metropolitan Calcutta made CMWSA ineffective and defunct (Sivaramakrishnan, 6, pp. 8, 15).

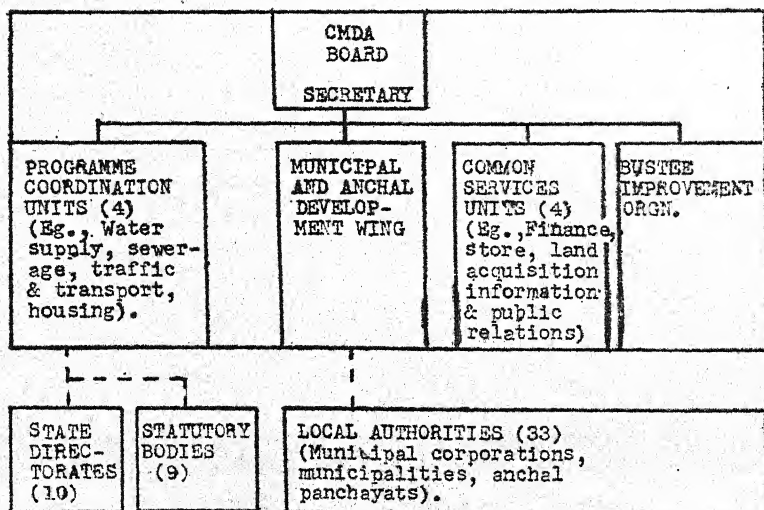
Between 1966 to 1970, no concrete step was taken to add to the list of metropolitan authorities, although the BDP (1966) suggested the creation of 11 special purpose bodies for the metropolis. These included a planning authority, a water and sanitation authority (already created), one traffic and transportation authority, one housing authority and a bustee improvement authority, three area-wide development authorities, a new bridge authority (Hooghly bridge), one parks and recreation authority and an education authority. What was not realized by the framers of BDP that it would create unnecessary tension among all the authorities, old and new, and would render the problem of coordination, on a metropolitan basis, almost insoluble. Being appointed authorities, these would not be politically responsible and would have undermined the whole framework of local government in the metropolitan area. The proliferation of such special authorities is a common experience in the US, and it is likely that the framers of BDP were unduly influenced by such idea. Due to uncertainty of funds for implementing the BDP proposals, no action followed on the institutional suggestions of the BDP. However, the situation changed in 1970 when the State came under the President's rule and the CMDA was created in 1970 under a President's Act.

CMDA is responsible for plan formulation, coordination, supervision, financing and "execution" in the metropolitan area. It is clear, from a reading of the CMDA Act, that it was not conceived primarily as an executive body, but rather as a funding and monitoring agency. CMDA first assumed executing responsibilities for bustee and slum improvement programme even when the Calcutta corporation had the legal responsibility for it and the CIT had the experience of operating such programmes under the social housing schemes. The argument that these two organizations had worked slum clearance "in the context of slum removal and re-housing" does not appear to be sufficiently convincing for the CMDA to step in (Sivaramakrishnan, 5, p. 9).

We have already referred to CMDA's efforts to have direct links with the CMDA cells/units under the state functional directorates/field agencies. Since mid-1973, the responsibilities for projects assigned earlier to the engineering directorates of the State Government have been assumed by the CMDA. CMDA is also entrusted with the management of statutory bodies like the CIT, the HIT and the CMWSA after their suppression by end-1973. The deck seems clear for undertaking the 'final solution' of the CMPO (Sivaramakrishnan, 6, p. 17).

With the emergence of the CMDA, some progress was made toward coordinated and integrated development responsibilities in Calcutta under a non-elective, special authority. Recently, the CMDA has been empowered to assume maintenance responsibilities for its projects and also to levy betterment charges on land. This raises the issue of the future of local government in the metropolis and its appointed place in the total scheme of urban development.

CMDA AND ITS PLAN IMPLEMENTING AGENCIES



TWO-TIER SYSTEM APPROACH

In 1972, a proposal to set up a two-tier metro council was initiated, apparently by the CMDA and discussed at the official level (Sivaramakrishnan, 5, p. 23):

to group the entire Metropolitan District into 30-35 boroughs, have a directly elected borough council for each, and set up a metro council consisting of all the borough council's chairmen plus nominees of the State Government and the representatives of the State Legislature. The duration of both the metro and the borough councils was to be five years with a Mayor-in-Council functioning as the political executive at the apex level. The metro council was to be responsible for metropolitan level functions and the borough council for local level functions. Assessment of taxes and allocation of resources between the metro and borough councils was to be done by the State Government. The metro council was to be responsible for planning and development at the metropolitan level as well. (Sivaramakrishnan, 6, p. 16).

Opposition to the proposal apparently came from the State politicians. Since the debate was not carried out in the open, it is likely that the motives were suspect. At any rate, unless the initiative for governmental reforms comes from the political level, it is difficult to resolve the underlying political objectives of such proposals, not to say of their ultimate realization. However, turning to an examination of the 1972 proposal itself, a few issues present themselves: (a) the system relies on direct election to the metro council of the chairmen of the borough councils. This does not *ipso facto* ensure metropolitan political responsibility either of the metro council, or its executive—the mayor-in-council; (b) it is not understood how a body consisting of indirectly elected local and state politicians and state appointees (civil servants?) would be made politically accountable; (c) it is not clear how a nominated metro-council would create a 'mayor-in-council' as its executive; (d) the location of resource responsibilities at the state-level negates the principle of fiscal responsibility at the metro or the borough levels; (e) no indication is given about the principles of borough area demarcation or for distributing functional responsibilities between the two levels; (f) no indication is given about the future of special authorities, including the CMDA; (g) the role of the state government *vis-a-vis* the metro government is not clear; and (h) the relationship between the borough councils and the metro council remains vague.

It is useful to recount the structure of the three successful metro governments functioning in democratic ethos overseas. In *Toronto* the original local authorities were left untouched and a Greater Toronto Metropolitan Council was superimposed, its members being drawn from the local authorities—the mayors of the 12 towns and 12 councillors from the Toronto city. This type of

indirect representation "produces a metropolitan council consisting of representatives of particular areas who were elected to the councils of those particular areas, who are not elected to the metropolitan council, and who therefore may not bring to the work of the council an undivided loyalty to, an interest in, the wide metropolitan view" (Robson, 3. p. 280).

In *Tokyo*, there is a Metropolitan Government of Tokyo and 23 wards in the Tokyo city and a number of outlying cities, towns and villagers. The metro council has 123 members, its mayor is directly elected and heads the executive, while the councillors are separately elected to decide general policy and approve the budget. The ward councils at the lower tier are also separately elected and function as subordinate local authorities, carrying out functions delegated by the metro council and subjecting to the approval of the appointment of their chairmen by the mayor of the metro council. Here the US presidential system of administration, with the attendant separation of powers, prevails and the lower tier authorities enjoy limited autonomy.

In *London*, there is a Greater London Council of 100 directly elected members performing the functions requiring planning or administration on a metropolitan scale. There are 32 directly elected Borough Councils, each having about 60 elected and 10 aldermen members. The Borough Councils perform all local functions, which are quite extensive. The boroughs are also the rating authorities and the Greater London Council depend on precepting borough rates for its financing. The establishment of a single authority to carry out metropolitan functions and creation of strong and largish boroughs (average population: 250,000) to look after enlarged local functions—each level functioning independently and dealing direct with the central government—are the hallmarks of the London metro-government. The success of the London metro-government paved the way for recent reorganization of the local government system in England.

CONCLUSION

From the foregoing discussion, it seems that the time is ripe for a complete overhaul of Calcutta metro-government. This would be facilitated by appointing a high-powered commission of non-officials to go into the question and formulate a concrete scheme of action. Such a commission needs to consider the following imperatives:

- (i) In any reform of metro-governmental dimension, a *de novo* restructuring of all public agencies and authorities functioning within the metro area is involved.
- (ii) The political climate must be favourable for such a move, both at the state and local levels.
- (iii) The benefits of such reform would outweigh the internecine institutional conflicts in the metropolis.

- (iv) Once the outlines of governmental reforms are clear, the question of fiscal reforms could be taken up.
- (v) In undertaking such reforms, the colonial system of administration, with its attendant tilt in favour of the bureaucracy, needs to be corrected to usher a system of responsible and responsive political executive at the local and metro levels.

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Urban News

INDIAN

Haryana

In order to undertake urban development systematically, Haryana Urban Development Authority has been set up by the State Government on 13.1.1977 under the Haryana Urban Development Authority Ordinance, 1977. The Ordinance provides that the Authority shall consist of a Chairman, Vice-Chairman and a Chief Administrator and such other members not more than twelve and not less than six provided that number of non-official members shall not at any time exceed three. The State Government by notification issued on the same day appointed Minister-Incharge of Town and Country Planning Department as Chairman, the Chief Secretary to Government as Vice-Chairman and the Director, Town and Country Planning as Chief Administrator. In addition, the Government appointed nine official and three non-official members. The Department of Urban Estates set up in 1962 to supplement the work of Town and Country Planning Department, with all its 14 offices including the Directorate of Urban Estate, is likely to be wound up and its work will be entrusted to the newly established Authority.

Kerala

Government have extended the benefit of pension including death-cum-gratuity and family pension and have liberalised family pension now available to Government servants to all contingent workers under the corporations, municipalities and townships of the State subject to the condition that the Government will not be liable to meet any expenditure on this account. The draft rules for implementing this decision provide that each council will open an earmarked fund called Municipal Pension Fund to provide an adequate amortization arrangement. Director of Municipalities will, after verification of the pension papers by the Examiner of Local Fund Accounts, issue sanction for pension. The amounts required will be remitted to the Director of Municipalities by the concerned Councils and the amounts disbursed from the Government Treasuries.

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The Government have instituted a scheme of rewards and incentives for Food Inspectors in Urban Local Bodies whose performance in the prevention of food adulteration is of an outstanding nature.

The criteria to be followed in assessing the quality of work for this purpose are: (a) systematic completion of quota fixed; (b) detection of larger percentage of adulteration of samples; (c) promptness in filing of prosecution; (d) maximum number of convictions; (e) least number of acquittals; and (f) realization of sizable fines.

A committee comprising of the Special Secretary, Local Administration and Social Welfare Department, the Director of Municipalities, the Chief Government Analyst and the President, Chamber of Municipal Chairmen, has been constituted for conducting the review after the close of each year.

It has also been decided that the Food Inspectors should be retained at a particular station for a minimum period of one year to ensure a correct assessment of the work.

Punjab

As a result of special measures taken by the State Government to enhance the income of municipal committees, there has been significant improvements in the finances of municipal committees. Total income of the Municipal Committees in the State has increased from Rs. 15 crores in 1974-75 to Rs. 26 crores in the year 1976-77 and it is estimated that the total income during 1977-78 will touch Rs. 34 crores. The measures adopted were: (a) the rationalisation of House Tax and recovery of arrears; (b) imposition of taxes on advertisements and sale of liquor; and (c) extension of Octroi limits. Apart from these measures, establishment expenditure which in some municipalities used to exceed 80 per cent of their total receipts and which was 60 per cent of overall receipts of the municipal committees during last two years in the State, has been brought down to 31 per cent.

* * * * *

As against the expenditure of Rs. 4 crores during 1974-75 an amount of Rs. 10 crores was spent for providing infrastructural facilities during 1975-76—an increase of 150 per cent in development expenditure of the municipal committees in the State during one year. Total expenditure on development works during 1976-77 was to the extent of Rs. 13.25 crores and it is estimated that Rs. 18 crores will be spent on development work during the year 1977-78. An amount of Rs. 570 lakhs has been earmarked by the State Government for allocation to the Municipal Committees, Notified Areas Committees, Improvement Trusts, Water Supply and Sewerage Board in the shape of loans and subsidies during the year 1977-78.

* * * * *

The State Government have set up two Municipal Corporations, at Amritsar and Ludhiana, with effect from 30.3.1977. Earlier, there was no municipal corporation in the State.

* * * * *

The State Government have set up three Boards, viz: (i) State Environmental Board for conservation of natural resources and protection of air, water and land from pollution; (ii) State Board for Prevention and Control of Water Pollution for preventing and controlling water pollution, and (iii) Punjab Water Supply and Sewerage Board to augment the provision of drinking water supply and to improve the sewerage system in the State. A water supply project covering the major towns of the State requiring an investment of Rs. 52 crores has been resubmitted to the World Bank for financial assistance with the approval of the Government of India.

* * * * *

The State have launched Integrated City Development Programmes in three major cities viz. Ludhiana, Jullundur and Amritsar. The Government of India has sanctioned Rs. 2.79 crores as assistance for the Programme for Ludhiana and Rs. 10 lakhs for Jullundur. The State Government has also given grant of Rs. 50 lakhs for each of the cities towards the Programme.

* * * * *

With a view to providing security of service and regulating service conditions of the Municipal and Improvement Trust employees, provincialised services have been constituted in respect of 24 categories of Municipal employees and 21 categories of Trust employees.

* * * * *

Land disposal rules of Improvement Trusts have been revised with a view to making plots available at no-profit no-loss basis to economically weaker sections. Reservations for allotment have been made for Scheduled Castes and Backward Classes. In case of plots upto 100 sq. mts, allotment is being made at subsidised rates. About 66 per cent of the new residential areas is being reserved for allotment of plots to economically weaker sections under various developmental and extension schemes of Improvement Trusts. The Improvement Trusts have also been asked to frame Site and Service Schemes as per the guidelines circulated by the Housing and Urban Development Corporation, Government of India. It is expected that the Improvement Trust, Ludhiana, which has recently obtained a loan of Rs. 30 lakhs for one of its Site and Service

Projects, will be allotting 6000 plots under the Scheme and the total number of plots to be allotted in the State will be more than 15 thousand during the year.

INTERNATIONAL

Follow-up Seminar on "The Role of Local Administration in National Development," held at Bangkok from 6th to 15th July, 1977, organised by the Verman Foundation for International Development and the International Union of Local Authorities.

Conclusions and Recommendations:

The participants recognise the emergent role of the local government institutions in Asia in the sphere of national development. While the specific role of such local institutions in the process of development activities may differ from country to country, there are several easily identifiable areas where local government institutions can play a major role. They may make major contributions in fixing strategies and priorities, especially in the sphere of rural development. (This is not to suggest that urban development is unimportant; but it must not be at the expense of the development of the rural hinterland, otherwise overall development will be distorted by regional imbalances.) These contributions will help to ensure that the national development efforts will lead to a continued improvement in the quality of life of the people, providing for minimum basic needs of nutrition, shelter, education, communication, infrastructure, recreational and cultural facilities.

It is recognized that local government institutions can contribute towards balanced socio-economic development in their areas, especially through careful planning and control of the physical environment. This can minimize the effects of widening the gap between the quality of life of the poor and of the rich, which has been one of the beneficial results of over-emphasizing mere economic and material development during the past decades.

The participants agreed that, whenever and wherever local political circumstances permit, local administration is best expressed through forms of local representative government. In the context of the twelve Asian Nations represented at the Seminar it was considered that the principal aims of such local administration should be as follows: Government at the local level should function if possible through representative councils established by law to exercise specific powers within defined areas. These powers should give the councils substantial control over local affairs. This implies that the councils must be entrusted with adequate resource bases and powers in terms of staff and institutions and finance, so that they may initiate and direct the provision of services in their areas of jurisdiction. These resources and powers should also enable them to determine and implement development projects, which should complement the activities and be coordinated with the plans of higher

levels of Government. It should be ensured, through devolution of functions to these councils and through the active participation of the people and their traditional institutions, that local initiative is maximised and that response to local needs and conditions is prompt and efficient.

In general, the functions which local authorities should perform should be any of those:

- (a) which require for effective performance detailed knowledge of the local social and physical environment; or
- (b) which could mobilize and motivate community responsiveness and participation; or
- (c) which are of a personal nature, requiring provision close to where the individuals affected are living, and in which significant use of discretion of understanding of individuals is needed; and
- (d) for which adequate staff and financial resources can be mobilized and assured at the local level—if necessary through resort to joint arrangements.

The participants agreed that there exists a great need for training in all fields, and at every level of local administration. Most such training needs, however, could and should be met internally within each country, so as to ensure their strict relevance to local circumstances and national priorities.

Certain aspects of education and training require to transcend national boundaries. The group considered that there were circumstances under which all the undermentioned types of activity could be appropriate to meet these needs and urges technical assistance agencies—either national bodies, like the German Foundation for International Development, or International ones, like the International Union of Local Authorities (IULA) and the United Nations' agencies—to give a high priority to organizing and assisting such activities, especially in the fields of administrative and financial management, the coordination of all sectors involved in development, the planning and implementation of projects, the management of the local environment and public utilities and the training of trainers in all these fields.

Some of the indicated needs call for specific meetings or courses such as:

- (a) Short (maximum 5-day) Conferences for political leaders (Ministers, etc.)
- (b) Short (maximum 10-day) Seminars for policy makers and top decision-makers.
- (c) Medium (maximum 3-week) Seminars for upper middle-level policy makers.
- (d) Study visits in neighbouring countries for top and middle-level policy makers.

- (e) Attachments in neighbouring countries for middle-level decision-makers.
- (f) Study visits to other parts of the world for "local expert" decision-makers (such as the IULA 'Decentralization for Development' series).
- (g) Advanced training in other parts of the work for upper-level professionals.

Normally training activity should take place within the region in countries or situations as close to those of the participants' local environment as convenient. However, training further away from home is often advisable: examples of such circumstances are:

- (a) when the practices or techniques to be studied have not yet been tried in the home region; or
- (b) when another area has long experience of practices or techniques which have only recently been introduced in the home country; or
- (c) when the need is to benefit from study the lessons of experience gained by local administration in other countries.

The participants stressed the need for all concerned to recognise the role of the IULA as an effective international forum for fostering and promoting decentralization for development by means of training, research and publications. They were strongly of the opinion that IULA's training courses, which were the particular subject of review at this German Foundation seminar, had been an extremely effective and satisfactory sample of programmatic training. They made several suggestions regarding possible modification for future programmes, which the representatives of IULA and of the German Foundation for International Development undertook to consider sympathetically and to implement if appropriate. The group felt that the value of the courses had been imply demonstrated by a former course participants, who had shown, in the course of a lecture describing environmental problems in Thailand, how he had been able to draw upon his first-hand experience in Europe when seeking to persuade local officials of the importance of satisfactory environmental management.

It was the opinion of the participants that a serious limitation on the effectiveness of IULA's programmes was the exceedingly limited staff. It was not satisfactory to entrust a major role in the development of local administration throughout the work to a total of two persons, however industrious and dedicated they might be.

The participants desired to stress the importance, in the IULA programmes, of the practical experience acquired during the field visits, for which there was not effective substitute. They also wished to record that the visits to the German Federal Republic, organized by the German Foundation for International Development, had invariably been a model of what such field studies should be. Although many problems of the local authorities in the more

developed countries were different from those in the less developed ones, the participants observed that such differences were more dimensional than essential. They therefore asserted that their opportunity to have direct contact with the practices of local government in the 'developed' countries had widened their perspectives and stimulated their thinking for suitable adaptations and innovations suited to the real needs and situations of their respective countries. They were strongly of the view that, for practising senior public servants (as opposed to junior trainees) such learning process, by means of on-the-spot field visits in Europe was usually more meaningful and effective than academic instruction by any visiting expert or specialist coming to Asia: although of course lectures were essential element of any course. Moreover, without adequate knowledge of the appropriate background it was difficult to comprehend the lectures of visiting specialists, busy practitioners found it much more satisfactory to learn by seeing, rather than by listening. It followed that the field visits were indispensable to meet the principal objectives of the IULA courses.

* * * * *

Seminar on "Urban Networks : Structure and Change" held in Brasilia, D.F., Brazil during June 20-23, 1977.

The Seminar was jointly sponsored by the Government of Brazil, Candido Mendes University, Commission of Studies of Alternative to Development and the International Social Science Council.

The objective of the Seminar was to initiate the discussion in the context of Latin America. An inter-disciplinary approach was adopted for discussing the problem of urban regional structure and spatial analysis.

The theme of the conference was divided into three specific topics: the first one geared to spatial and geographic aspects, the second related to sociological implications, and the third dealt specially with the political and institutional problems. The contents included were:

- (i) The roles of growth policies and their impact on urban and regional development; economies and diseconomies of scale; the new urban balance.
- (ii) Urban permeability—the meeting of urban hierarchies and their effect on social mobility; the critical size of the urban network.
- (iii) The structure of decision in urban formations; the tension between "institutional" and "functional" departments over jurisdiction; the emergence of metropolitan areas and their institutional format.

About 25 people attended the Seminar. Apart from the participants from Latin America, urban experts from the United Kingdom, United States, Canada, France, Norway and West Germany and India, also attended the Seminar.

Book Reviews

Integrated Delivery System for Social Services by V. JAGANNADHAM and MOHIT BHATTACHARYA, IIPA, New Delhi, 1977, pp. viii+85, Rs. 30.

Two eminent professors of the Indian Institute of Public Administration have taken a look at the integrated system for delivery of social services in Ludhiana and brought out a very useful publication. The project was initiated at the request of the United Nations' Asian Development Institute at Bangkok.

The publication running into 82 pages is divided into six chapters. Chapter 1 is an introduction to the concept of social services in the Indian situation. Chapters 2 and 3 contain a description of urban development in Ludhiana and the organizational arrangements. Chapter 4 is a descriptive account of the different social services in Ludhiana such as health, nutrition, family planning, social welfare, education, environmental sanitation, sewerage, water supply, etc. Chapter 5 contains suggestions in regard to integrated delivery system while Chapter 6 is a brief two page epilogue on social services.

On the state of social services, the authors have commented, 'It presents a picture of crazy-quilt pattern of organizations crowding the urban area. There is no system of social services in the sense of their being interrelated to each other'. The authors have also pointed out that the inter-relation among different social services in the administrative sense do not exist in many instances and the management of some key social services is inefficient. There is also little local initiative and generation of interests and activities for social development and hardly any popular participation. These comments will probably hold good not only for Ludhiana but for most other urban areas. The authors have conceptualized integrated delivery system as a 'form of organizational technology' and have also drawn attention to organization theory propositions by foreign scholars. They have come up with suggestion for integrated delivery of social services as a two-tier structure, the upper tier being concerned with 'the delivery of environmental social services having community-wide repercussions', and the lower tier comprising three zonal units to take care of 'personal social services impacting on the locality level'. In the words of the authors, 'The suggested organizational technology for integrated delivery system entails an overhaul of the existing layout of organizations in the Ludhiana urban area. Managerial technologies for improving

delivery system can be usefully employed only after the organizational design question has been settled.' Thus the present study seeks to propound the need for major organizational structural change which is always very difficult to achieve and if the improvement of delivery of social services is dependent only on this factor, then probably things will have to wait indefinitely.

Since the project was undertaken as a part of a series of inter-country studies and had to operate within a budgetary and time constraint the authors could not analyse the specific inter-dependencies of different social services from the point of view of reaching certain critical target groups and the coordination arrangements and communication channels at different levels. For instance, when discussing the supplementary nutrition feeding programme which has been touched in the Report, one would like to know what are the supporting social services that would be necessary to reach the target group and also conceptually how to tackle the problem of mal-nutrition among, for instance, the age group less than three years which is always hard to reach. Hopefully the I.I.P.A. will not cease to have concern with integrated delivery of social services but rather consider this case-study as a starting point for grappling with the problems of integrated development of social services for certain critically important target groups among the weaker sections of society.

—A.B. BOSE

Social Indicators by RAMKRISHNA MUKHERJEE, Delhi, Macmillan Company of India Ltd., 1975, pp. 146, Rs. 40.

Authoritative literature on social indicators is hard to come by. Starting from the definitive work by Raymond Bauer, the field has of late been covered by Karl Fox on the related social theory and elements of an operational system, while Kenneth Land and Seymour Spilerman have written on social indicator models. Professor Mukherjee's work is, therefore, a welcome addition to the genre, especially written from an Indian point of view.

The present book is an offshoot of Professor Mukherjee's report to ICSSR on the concept, method and programme for the study of social indicators in India. His book is neatly divided into sections covering concept, method, programme, construction and organization about social indicators. The idea of indicators being value-loaded or value-free has been systematically developed and applied in the context of developmental and retrogressive indicators. The illustration provided deals with Indian national political parties and succinctly brings home the approach outlined in the book.

With the many plus points for the book, one only wishes that Professor Mukherjee's language would have been less recondite. Also, he threatens in the beginning to use more mathematics than what he has actually done latter on. Finally, one does not quite expect to find "East Pakistan" mentioned

several times in a publication of 1975. These shortcomings are only minor and do not distract from the overall scholarly service rendered by Professor Mukherjee for the Indian social scientists.

—UTPAL K. BANERJEE



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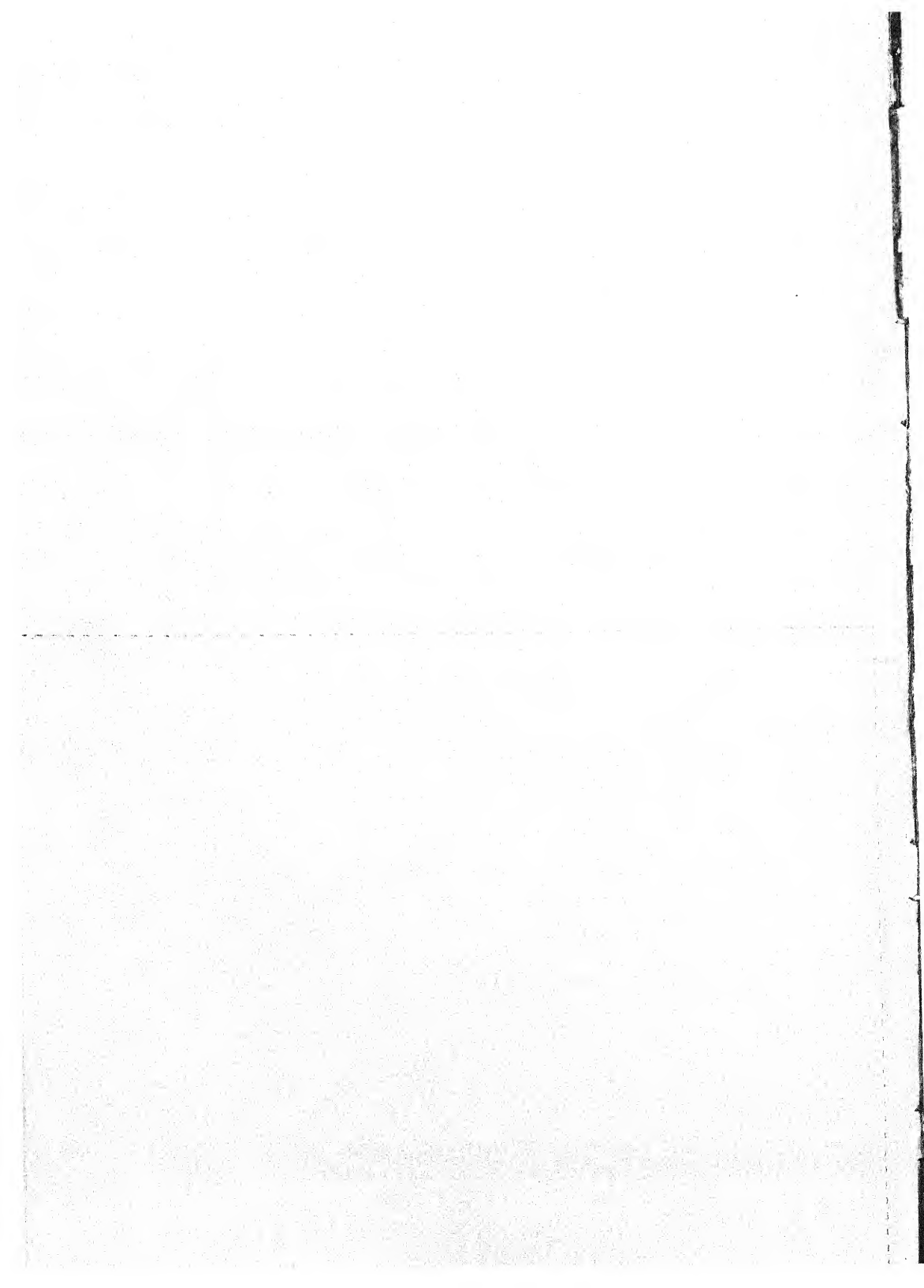
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EDITORIAL

Octroi has been a major source of income to most of the municipal bodies in India; but at the same time it has been one of the most criticized taxes also. A number of Committees and Commissions have condemned octroi as a regressive and undesirable tax because of its adverse impact on trade and commerce and have recommended its abolition. However, no satisfactory alternative tax has so far been suggested to substitute octroi, in case it is abolished. Another view is that the abolition of octroi, even if desirable, may not be practicable at one stroke over a large part of the country. The solution, according to the latter view, would lie in the better administration of octroi, pending its abolition. In view of this controversy over the subject and also its significant importance in the municipal tax structure, the IIPA's Centre for Urban Studies organized a seminar on "Octroi and Terminal Taxes" during October 28-29, 1976. The seminar discussed a number of issues which include: Is there a national consensus that octroi needs to be abolished? If so, should it be abolished at one stroke or gradually? What tax or taxes could be a suitable substitute for octroi to compensate the municipal bodies the loss of income due to its abolition? Pending its abolition what steps could be taken to mitigate the vexatious delays and corruption at the octroi check-posts? What are the experiences of those states where octroi has been abolished?

This special issue contains the papers that were presented by experts at the seminar on various aspects of the administration of octroi, along with the summary proceedings and a select bibliography on the subject. A book-note on the Layfield Committee Report (1976) on the system of British local government finance is also included in this issue.

It is hoped that this special issue would prove useful to the administrators and the academics who are concerned with municipal administration.

—Editor

Octroi Taxation : A New Economic Rationale

VELAYUDHAN PILLAI

OCTROI has been a substantial and growing source of income for the local governments in India from ancient times. Since it is an indirect levy on goods transported into a jurisdiction "for the purpose of consumption, use or sale therein", the burden of this tax is never felt by the consumers on whom it eventually falls. This is the main probable reason for the popularity of octroi among local administrators. Moreover, this form of taxation has been in use for a long time and it is often believed that "an old tax is no tax".

THE MOST CRITICIZED TAX

However, one cannot ignore the fact that Octroi is one of the most criticized taxes on earth. There is almost unanimity among writers about the colossal inefficiency and inequity involved in octroi taxation and about its adverse effects on regional and national economic development. The situation is summed up by Antia in the following words:¹

"Not a single committee which has been given the assignments of investigating the position of road transport and/or any allied subject has a kind word to say about octroi—starting with the Taxation Enquiry Committee 1924-25, the Local Self Government Committee 1939, the Dalal Committee on Motor Vehicle Taxation Enquiry 1950, the Taxation Enquiry Commission 1953-54, the Masani Committee 1959, the Committee on Transport Policy and Coordination 1966, and the Rural Urban Relationship Committee 1966."

The Ministry of Transport conceded that "there seems to be unanimous agreement among all those who have studied octroi and similar duties and have come to the same conclusion namely that octroi is obnoxious, vexatious

¹Fredoon P. Antia, "Economic Consequences of Octroi", *Economic Times*, September 11, 1976.

and wasteful.² The Ministry's own quantitative research has arrived at the conclusion that for every rupee of gross burden which the community has to bear on account of octroi, the net revenue which the government gets is no more than 15-20 paise, more than 80-85 per cent being leakage and waste.³ The relentless attacks on octroi have almost always been accompanied by pleas for its abolition. A few attempts have also been made to indicate possible alternative sources of revenue to offset the revenue losses of local governments resulting from the proposed abolition of octroi.⁴ Critical examinations of these projected alternatives and recommendations of new alternative revenue sources are becoming common in current discussions on Indian Public Finance.⁵

If the government yields to this mounting pressure of criticism and decide to do away with octroi taxation, it will mean the disappearance of octroi from not only India, but also the entire world. For, although the origin of octroi can be traced back to the Roman Empire (in its general sense as an 'impost', or 'toll', or 'town duty'), only very few modern nations besides India (Egypt, Belgium, France, Italy, Portugal and Austria), have experimented with it, and all of them abandoned it before World War II. Therefore, it is only appropriate to suggest that a thorough review of all the issues involved is necessary to determine whether, in fact, there is no economic rationale for the continuation of octroi, as we have been led to believe by the past and current literature on the subject.

OCTROI AS A TAX ON EXTERNALITIES

All the criticism and condemnation of octroi taxation referred to above stem from the premise that the tax is nothing but a source of revenue for local bodies. In other words, the concern has been limited to the 'public services sector' of local public economy. More importantly, there is no known effort made to explore the usefulness of octroi taxation as an instrument in the 'public interventions sector'.⁶ In the following sections of this paper such an

²Government of India, Ministry of Transport and Shipping (Transport Research Division), *Economics of Octroi: An Attempt at Quantification of the Total Burden of Octroi and Similar Taxes*, New Delhi, 1957, p. 7.

³*Ibid.*, p. 27.

⁴See for example, Government of India, Ministry of Transport and Shipping (Transport Wing), *Final Report of the Road Transport Taxation Enquiry Committee*, New Delhi, 1967, pp. 83-84; and Government of Maharashtra, *Report of the Study Group on Octroi*, Bombay, 1970, pp. 55-76.

⁵G.D. Sharma, "An Alternative to Octroi Tax System", *Eastern Economist* 58, April 7, 1972, pp. 698-704.

⁶For a detailed discussion of this classification of public economy, see A. Barrere, "Internal Consistency in Public Economy—the Plan and the Market", in *Public Economics—An Analysis of Public Production and Consumption and their Relations to Private Sectors*, ed. J. Margolis and H. Guitton, New York, St. Martin's Press, 1969, pp. 22-53.

exercise is attempted to indicate that octroi taxation, in a modified form, has a very good economic rationale in the large urban centres of India.

The new economic rationale for octroi is based on the principle of dealing with externalities through a tax/subsidy programme.⁷ This principle may be elucidated with the help of an example. A chemical manufacturer may be polluting the river water by disposing of the wastes from his factory into the river. This obviously causes harm to the people who have been using the river in one way or another. But this cost of the manufacturer's action is not paid for under the market mechanism. A way to escape this problem is to impose a tax on the manufacturer to match the community cost consequent on his polluting the river water. The tax may make it uneconomical for the manufacturer to continue production, and he may close down the factory. A second possibility is that the tax will compel him to adopt a different technique of waste disposal that will not pollute the water or even alter the technique of production so as to avoid the creation of pollutants as wastes. Finally, it is also possible that he may continue the operation without any change in technology, but pay the tax, make a downward adjustment in production, and thereby meet the community cost generated by him. One or more of these possibilities might follow the tax programme, and that will be a 'corrective' measure to the problem of externalities in the example given here. In spite of all the complexities and difficulties in implementation, the tax/subsidy method is gaining popularity in 'correcting' the inefficiencies and inequities resulting from externalities.

TYPES OF EXTERNALITIES

Industrialists and traders have enough economic reasons to locate their operations in the large and growing metropolitan centres. However, while doing so, they generate some costs to the community—that is, externalities—for which they should be made to pay. These social costs of geographic concentration of economic activity may be discussed under four broad headings: pollution, high cost of public services, congestion, and unbalanced regional development.

Undoubtedly, all the large cities in India suffer from various types of environmental pollution. The levels of air, water and noise pollution in urban India will reach alarming proportions in the not too distant future. The major solution to this problem lies in halting the unregulated expansion of our urban centres. The composition of the different types of economic activity and the nature of technology used in them are important factors affecting the level of damage done to the environment, in addition to the concentration of activity. Obviously, any public policy seeking to check pollution should create desired changes in these factors.

⁷For a detailed and simple discussion of this principle see Richard A. Musgrave and Peggy B. Musgrave, *Public Finance in Theory and Practice*, New Delhi, McGraw Hill Book Co., 1973, pp. 77-80 and pp. 689-702.

The second consequence of the concentration of economic activity in urban centres is the rise in the cost of public services, such as fire protection, police, transportation, sewerage, etc. For example, it has been estimated that in 1965-66 the per capita current costs of municipal services in Bombay were 77 per cent higher than that in Nasik.⁸ These estimates suggest that by establishing a manufacturing industrial unit in Bombay an additional burden of Rs. 12,000 per worker in this industry is ultimately borne by the community, which could have been avoided if the unit were located in Nasik instead. The situation in other industrial centres of India cannot be substantially different from what is observed in Bombay. This implies that the concentration of industry and business, while conferring pecuniary benefits to the business community, entails considerable pecuniary costs to the society. Government intervention in the form of a tax programme will certainly be helpful in correcting this discrepancy.

The third form of externalities experienced in the urban centres is congestion or overcrowding. Most of the large cities have too many people to use the limited number of public facilities like beaches, parks, playgrounds, and roads. Consequently even these public goods begin to assume properties of private goods. The overcrowding in our cities have resulted in tremendous social costs. Inflation of land values, traffic bottlenecks, housing scarcity, unhealthy residential areas, slums created by immigrants, etc., make life miserable for the poor and middle class people in the cities. In the absence of government intervention these anomalies will not be corrected because the existence of these anomalies implies a breakdown of market mechanism.

A fourth concomitant of over-concentration of economic activity is the imbalances in regional development. The areas away from the growing industrial centres suffer economic stagnation and they become more dependent on the industrial centre for employment to the productive factors on the one hand and for the supply of manufactured goods for consumption, on the other. The example of Bombay is very clear on this matter:

“Most of the industries are concentrated in Bombay for one reason or other. About 30 per cent of the tertiary employment and 66 per cent of the State’s factory employment is concentrated in Bombay. About 75 per cent of the value of industrial output and 84 per cent of the electricity consumption in the state is accounted by Gr. Bombay. These percentages are sufficient to indicate the imbalance in industrial location in the State.”⁹

⁸G.S. Kulkarni and A.P. Kulkarni, *Community Cost of Industrial Location at Bombay and Nasik*, Bombay, The State Industrial and Investment Corporation of Maharashtra Ltd., 1968, pp. 63-64.

⁹Directorate of Town Planning, Maharashtra State, *A Report on Industries*, Poona, 1967, p. 1.


CORRECTIVE MEASURES THROUGH OCTROI

The four types of externalities presented above call for government intervention and corrective measures. In this context, octroi taxation is a powerful tool in the hands of a local government to check the industrial expansion and influence the composition of industries in the city limits. In broad terms, the use of octroi for these purposes involves two steps. First, selection of a list of cities where the industrial concentration has gone too far as to create the externalities in a substantial way. Then octroi is to be levied only by these cities while the other cities and rural governments stop the collection of this tax. In the second step, the city governments that decide to have octroi should prepare a list of goods whose movement into city should be curtailed to avoid the externalities. Certain types of fuels or raw materials, for example, may have more polluting elements in them than others. Naturally, their entry into the town should be made more expensive.

If this modified form of octroi is implemented it will certainly reduce the problems created by the externalities discussed above. Of course, there will be difficulties in determining the cities that need the octroi as means of government intervention. There will be even more problems in determining the commodities to be brought under octroi and the rate structure. But these problems can certainly be solved if there is enough commitment to the principle.

CONCLUSION

Octroi taxation as modified above will not have most of its present drawbacks. There is evidence that the administration of octroi is more efficient and the tax is highly productive in large municipalities. Questions of delay in transport will become insignificant because the total number of octroi check posts will come down drastically. However, majority of the local governments will have to do without octroi and alternative revenue sources will have to be found for them. This proposal has the advantage that octroi will continue to yield income for the large urban governments, while at the same time performing an important and imperative regulatory function. Secondly, we will have the satisfaction of having made a useful tool out of an obsolete and unproductive tax which no other country has done.



Octroi in the Municipal Revenue Structure

K.S.R.N. SARMA

OCTROI, "the levy on entry of goods into a local area for consumption, use or sale therein" "is one of the oldest taxes in India and is considered as a traditional source of local revenue."¹ It is presently levied by the municipal bodies² in the states of Gujarat, Haryana, Himachal Pradesh, Karnataka, Jammu & Kashmir, Maharashtra, Orissa, Punjab, Rajasthan and Uttar Pradesh. Terminal tax³, which is akin to octroi except for the major difference that it is levied both on passengers as well as goods imports as well as exports, is imposed in the Union Territory of Delhi. Similarly, an 'Entry tax' is being imposed on goods moving into the metropolitan area of Calcutta since 1970. 'Mahimai' which is similar to octroi is levied in Pondicherry.

The controversy regarding the advisability of allowing the local bodies to continue with the levy of octroi is a long drawn and wellknown one. Many official committees, notably Local Finance Enquiry Committee (1949), Taxation Enquiry Committee (1953), Committee of Ministers constituted by the Central Council of Local Self-government, Zakaria Committee (1963), Rural-Urban Relations Committee (1966) and Road Transport Taxation Enquiry Committee (Keskar Committee 1965) has "condemned octroi as a regressive, undesirable and anachronic tax which deserves to be eliminated from the scheme of local taxation with the least-possible delay."⁴ But as rightly observed by the Study Group on Octroi appointed by the Maharashtra Government, "none of the Committees (mentioned above) could, despite their criticism of octroi in the severest terms, suggest, with any appreciable degree of success any satisfactory alternative tax to octroi which has survived

¹Government of India, *Augmentation of Financial Resources of Urban Local Bodies (Report of the Zakaria Committee)*, Delhi, Manager of Publications, 1965, p. 48.

²Octroi is also being levied by some of the Zilla Parishads and Panchayat Samithis in the States of Gujarat and Maharashtra.

³In the present study, the term octroi is used to refer not only octroi *per se*, but also "Terminal", "Entry" and "Mahimai" Taxes.

⁴Government of Maharashtra, *Report of the Study Group on Octroi*, Bombay, The Director, Government Printing and Stationery, 1970, p. 19.

all attempts made so far for its abolition as a source of local revenue.”⁵ It is, however, not the intention of this note to go into the details of the above controversy. Here the concern is limited to the presentation of an empirical analysis of municipal revenue mobilization under octroi levy and highlight the salient features of the same. The examination pertains to a sample of 52 Class I municipalities (with population of over one lakh in 1971 other than corporations) in respect of which the data for 1970-71 is readily available from the secondary sources.⁶

INCOME FROM OCTROI IN 1970-71

The data on octroi income derived by the municipalities covered in the study during the year 1970-71 is shown in column 5 of the Appendix. It may be noted that out of the 52 municipalities covered, octroi is being levied only by 25. The amounts of octroi income earned by these 25 municipalities differ considerably. On one end we have Kolhapur Municipality with octroi income as high as Rs. 107.52 lakhs followed by New Delhi (Rs. 95.73 lakhs), Ludhiana (Rs. 65.82 lakhs) and Amritsar (Rs. 65.48 lakhs). On the other end the income derived under octroi/terminal tax account by the municipalities of Muzaffar Nagar and Nizamabad during the year 1970-71 are only Rs. 0.01 lakhs and Rs. 4.85 lakhs respectively. The distribution of Municipalities according to their octroi income during 1970-71 is as presented in Table 1. From this Table, two broad features may however be seen: (1) in a good majority of the cases the octroi income is nearer to Rs. 20-30 lakhs range, (2) the municipalities in the states of Gujarat, Maharashtra and Punjab seem to be deriving relatively much larger amounts of octroi income than the municipalities in the states of Madhya Pradesh and Uttar Pradesh.

PER CAPITA OCTROI INCOME IN 1970-71

Column 10 of the Appendix gives the income of the municipalities from octroi levy in 1970-71 in per capita terms. As in the case of absolute amounts, in respect of per capita amounts also wide variations are noticed. It may be observed that it is again Kolhapur which has the highest per capita octroi income (Rs. 41.51) and the Muzaffar Nagar the lowest (Rs. 0.56). Distribution of municipalities according to their per capita income from octroi is shown in Table 2. It may be observed that in a good majority of the cases the per capita octroi income is close to the range of Rs. 15-20. In the case of municipalities from the states of Gujarat, Maharashtra and Punjab, the per

⁵Government of Maharashtra, *op. cit.*

⁶The two major sources of data are :

- (i) Centre for Urban Studies, Indian Institute of Public Administration, *Finances of Major Municipalities, 1970-71*, New Delhi. (Monograph yet to be published).
- (ii) Zakaria Committee Report, *op. cit.*

Table 1

**DISTRIBUTION OF MUNICIPALITIES ACCORDING TO THEIR INCOME
FROM OCTROI DURING 1970-71**

State (No. of municipalities included in the Sample)	Not Levied	Number of Municipalities with Income from octroi in 1970-71 in Rupees Lakhs							
		Less than 10	10-20	20-30	30-40	40-60	60-80	80- 100	over 100
Andhra Pradesh (6)	5	1							
Bihar (1)	1								
Gujarat (3)					1	1	1		
Haryana (1)				1					
Karnataka (4)	1		1		2				
Kerala (2)	2								
Madhya Pradesh (2)			2						
Maharashtra (4)			1	1		1			1
Punjab (2)							2		
Rajasthan (1)					1				
Tamil Nadu (15)	15								
Uttar Pradesh (7)	—	1	2	3	1				
West-Bengal (3)	3								
New Delhi (1)								1	
TOTAL	27	2	6	5	5	2	3	1	1 (25)

capita octroi income seem to be relatively higher than that derived by the municipalities in the states of Karnataka, Madhya Pradesh and Uttar Pradesh.

PERCENTAGE SHARE OF INCOME FROM OCTROI LEVY DURING 1970-71

Now coming to the percentage share of octroi collections in the total revenue income of the municipalities the data regarding the same is given in column 8 of the Appendix. It may be noticed that octroi income accounted as high as 93.81 per cent of the total revenue income in the case of Kota municipality. The other municipalities where the percentage share of octroi income is observed to be 60 per cent or above of the total are, Rohtak

Table 2

DISTRIBUTION OF MUNICIPALITIES ACCORDING TO THEIR PER CAPITA OCTROI INCOME IN 1970-71

State	N.A. (octroi is not levied)	Number of municipalities with per capita Income from octroi in the year 1970-71 as (in Rs.)							
		less than 5	5-10	10-15	15-20	20-25	25-35	35-50	over 50
Andhra Pradesh (6)	5	1							
Bihar (1)	1								
Gujarat (3)					1	2			
Haryana (1)					1				
Karnataka (4)	1		1	1	1				
Madhya Pradesh (2)				2					
Kerala (2)	2			—	—				
Maharashtra (4)					2	1		1	
Punjab (2)					2				
Rajasthan (1)					1				
Tamil Nadu (15)	15								
Uttar Pradesh (7)		1	2	3	1				
West-Bengal (3)	3								
New Delhi (1)							1		
TOTAL	27	2	3	6	9	3	1	1	

(77.45%), Amritsar (72.35%), Ratlam (65.89%), Ludhiana (63.05%) and Burhanpur (60.11%). A statewise comparison (vide Table 3) indicates that the dependence of municipalities on octroi (as a major single source of income) seem to be relatively greater in the states of Rajasthan, Haryana, Madhya Pradesh and Punjab, than say those from Karnataka.

SHIFTS IN THE PERCENTAGE SHARES OF OCTROI INCOME DURING 1960-61—1970-71

Now we move over to the consideration of broad trends. Table 3 gives the distributions of municipalities according to the percentage share of octroi income in the total during the years 1960-61 and 1970-71. At the

Table 3

**DISTRIBUTION OF MUNICIPALITIES ACCORDING TO THE PERCENTAGE
OF THEIR OCTROI INCOME IN THE TOTAL DURING THE YEARS
1960-61—1970-71**

State	Year	Number of municipalities with the Percentage of octroi income as										Total
		less than 10%	10- 20	20- 30	30- 40	40- 50	50- 60	60- 70	70- 80	80- 90	90	
Andhra Pradesh	1960-61	—	N.A.									0
	1970-71		1									—
Gujarat	1960-61				1		2					3
	1970-71				2		1					3
Haryana	1960-61								1			1
	1970-71								1			1
Karnataka	1960-61			1			1					2
	1970-71				2		1					3
Madhya Pradesh	1960-61					1		1				2
	1970-71							2				2
Maharashtra	1960-61				2	1	1					4
	1970-71					2	2					4
Punjab	1960-61			1			1					2
	1970-71							1	1			2
Rajasthan	1960-61		N.A.									N.A.
	1970-71									1		1
Uttar Pradesh	1960-61		1	1	1		1					4
	1970-71		1	1	2	2	1					7
New Delhi	1960-61											N.A.
	1970-71		1									1
All India	1960-61		1	3	4	2	6	1	1			18
	1970-71		2	2	6	5	4	3	2	1		25

all India level there does not appear to be any significant shift in the distribution pattern of 1970-71 from that available in 1960-61. However in the case of municipalities of Gujarat, there seems to be some fall in the percentage shares of octroi income in the total during the year 1970-71 in comparison to the position prevailing in 1960-61. On the other hand, a marginal increase is to be noticed in the percentage share of octroi income during the decade in question in respect of municipalities from Madhya Pradesh, Maharashtra and Punjab.

RATE OF GROWTH OF OCTROI INCOME DURING 1960-61 — 1970-71

Column 6 of the Appendix gives the data about the percentage rates of growth of the octroi income of the municipalities during the period 1960-61 to 1970-71. It may be observed that out of 18 municipalities for which the growth rate could be worked out, in the case of five the growth rate is over 200 per cent. These municipalities are Kolhapur (296.75%), Rajkot (240.68%), Amaravathi (220.94%), Bhavnagar (208.04%) and Ludhiana (205.43%). In the case of four municipalities the percentage rate of growth in question is in the range of 150-200 per cent, in the case of five municipalities it is in the range of 100-150 per cent. Thus only in respect of four (out of 18 municipalities) the growth rate in octroi income is less than 100 per cent. Here it may be mentioned that the whole sale price index in the decade in question rose by 86 per cent. Thus the growth in octroi income in most cases are much higher than the general price index.

From the Table 4 which gives the statewise distribution of municipalities and also according to the percentage rate of growth in their octroi income during 1960-61 to 1970-71, it may be noted that the rate of growth in octroi

Table 4

**DISTRIBUTION OF MUNICIPALITIES ACCORDING TO THE PERCENTAGE
RATE OF GROWTH IN THEIR OCTROI INCOME DURING THE DECADE
1960-61 — 1970-71**

State	Number of municipalities with the percentage rate of growth income during 1960-61—1970 as								Total
	less than 25%	25- 50	50- 75	75- 100	100- 150	150- 200	200- 250	250 and above	
Andhra Pradesh									N.A.
Gujarat						1	2		3
Haryana				1					1
Karnataka					1	1			2
Madhya Pradesh				1	1				2
Maharashtra					1	1	1	1	4
Punjab					1		1		2
Rajasthan					—				N.A.
Uttar Pradesh		1	1		1	1			4
New Delhi									N.A.
TOTAL		1	1	2	5	4	4	1	18

income was relatively higher in the case of municipalities from Gujarat and Maharashtra than the rest.

FACTORS CONTRIBUTING TO THE VARIATION IN THE RATE OF GROWTH

The variation in the rate of growth of octroi income could be attributed to a number of factors. Besides the differences in the rate structure, the two major contributing factors generally mentioned are: (1) variation in the population growth and (2) functional classification of the city.⁷

POPULATION GROWTH AND THE GROWTH IN OCTROI INCOME

The two way classification as shown in Table 5 gives a rough indication as to the correlation between growth in the population and the percentage growth in the octroi income of the municipalities during the decade 1960-61 to 1970-71. From the scatter it appears that the correlation between the two factors though positive, is not significantly very high.

Table 5

POPULATION GROWTH AND RATE OF GROWTH IN OCTROI INCOME DURING 1960-61—1970-71

Percentage Growth in Population	Number of municipalities with the percentage growth in the octroi income during 1960-61 to 1970-71 as								Total
	Less than 25	25- 50	50- 75	75- 100	100- 150	150- 200	200- 250	250 and above	
Less than 10									
10-20					1				1
20-30		1		1	1	1	1		5
30-40	1				2	1		1	5
40-50				1	1	2	1		5
50-75							2		2
75-100									
Over 100									
TOTAL	1	1		2	5	4	4	1	18

⁷The functional classification of cities adopted in this note is the same as suggested by Asok Mitra in "A Functional Classification of India's Towns" in Ashish Bose (ed.), *Patterns of Population Change in India 1951-61*, Bombay, Allied Publishers, 1967.

FUNCTIONAL CLASSIFICATION OF THE CITY AND THE GROWTH IN THE OCTROI INCOME

Table 6 gives the distribution of the cities according to their functional classification and according to the percentage rate of growth in their octroi income during the period 1960-61 to 1970-71. It may be noted that cities which come under classification 'Manufacturing' have in general recorded higher rate of growth in their octroi income (average 184.56%) than those coming under the classifications 'Trade and Transport' (average rate of growth 117.71%) and 'Services' (average rate of growth 144.2%).

Table 6

DISTRIBUTION OF CITIES (MUNICIPALITIES) ACCORDING TO THEIR FUNCTIONAL CLASSIFICATION AND ACCORDING TO THE PERCENTAGE RATES OF GROWTH IN THEIR OCTROI INCOME DURING 1960-61—1970-71

Functional Classification	Number of municipalities with the percentage rate of growth in octroi incomes during 1960-61 to 1970-71 as									Average growth rate in respect of which data is available	
	Less than 25	25-50	50-75	75-100	100-150	150-200	200-250	250 and above	NA		Total
Manufacturing				1	2	1	3	1	3	11	184.56
Trade & Transport	1	1			3	2	1		1	9	117.71
Service				1		1			3	3	144.16

A COMPARISON WITH MUNICIPALITIES WHICH DO NOT LEVY OCTROI

As the third aspect of the examination we may take up the comparison in the revenue mobilization pattern of municipalities that presently levy octroi with those without those powers. In the latter cases the mainstay of tax effort is observed to be property tax. From column 9 of the Appendix it may be noticed that the per capita tax income of municipalities which are empowered to levy octroi tax is generally much higher than those who rely mainly on property taxes. But at the same time it may also be noticed that

except in the case of municipalities from Gujarat and Maharashtra, in all other cases where octroi is being levied, the per capita property tax realised (vide column 11) is very small. In other words, in these municipalities, the potential of property tax source which is a direct tax and also lends for progressivity in the levy, does not seem to have been fully exploited.

As regards the extent of dependence on external financial assistance, the data on the per capita income of the municipalities under the account "State Grants and Shared Taxes", are given in column 12 of the Appendix. From the data it may be noticed that among the municipalities which are empowered to levy octroi, the municipalities from the States of Madhya Pradesh, Punjab and Rajasthan seem to have received very low amount of external financial assistance (as the per capita grants and shared tax figures in their case clearly show) in 1970-71. In other cases there does not appear to be significant difference in the matter under consideration between the municipalities which are empowered to levy octroi and those without those powers.

Lastly we may consider the difference in rate of growth in the total (revenue) income of the municipalities which levy octroi and that of those not levying that tax during 1960-61 to 70-71. The data in this regard is given in Table 7. It may be observed that the average rate of growth in the income of the municipalities which levy octroi during the decade in question is 164.9 and that of those which do not levy octroi is 154.2. Though the former is higher than the latter the difference does not appear to be very high as is usually believed to be.

Table 7

**DISTRIBUTION OF CITIES ACCORDING TO THEIR MAJOR TAX BASE
AND ACCORDING TO THE PERCENTAGE GROWTH IN THEIR
REVENUE INCOME DURING 1960-61—1970-71**

Main Tax Base	Total number of municipalities	Number of Municipalities with the percentage rate of growth in their total revenue income during 1960-61 to 1970-71							Average rate of growth
		Less than 50	50-100	100-150	150-200	200-250	250-300	300 and above	
1	2	3	4	5	6	7	8	9	10
Property tax	27	2	4	9	6	2	2	2	154.2
Octroi tax	20	1	4	4	4	3	3	1	164.9

CONCLUSIONS

In conclusion, the major observations of the foregoing analysis may be restated: (1) Octroi income constitutes single major source of income in most cases where municipalities are empowered to levy that tax. In a large number of cases it is found to account for over 40 per cent of the total revenue income. (2) There is considerable variation in the income realised from octroi, both in absolute amount as well as when measured in per capita terms. (3) The growth rate recorded in respect of octroi income during the period 1960-61 to 1970-71 is also observed to vary considerably. The towns under the classification 'Manufacturing' have on an average recorded much higher rate of growth in their octroi incomes than the towns which are classified as 'Trade and Transport' and 'Services'. (4) The rate of growth of revenue income of municipalities which levy octroi during 1960-61 to 1970-71 were on an average higher than that of those which do not levy that tax, but the difference is not significantly very high.

APPENDIX

S. No.	City	Popula- tion in 1971 (in lakhs)	Income from Octroi (in rupees lakhs)		Percentage growth in Octroi income during 1960-61 to 1970-71	Percentage share of Octroi income in the total (ordinary revenue)		Per Capita Tax effort		Per Capita	
			1960-61	1970-71		1960-61	1970-71	Total Octroi 1960-61 1970-71	Property Tax 1970-71	State grants and shared taxes 1970-74	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Andhra Pradesh											
1.	Eluru	1.27 (17.29)	—	—	—	—	—	9.53	—	9.10	12.96
2.	Kakinada	1.64 (33.62)	—	—	—	—	—	12.36	—	12.04	15.00
3.	Kurnool	1.37 (35.58)	—	—	—	—	—	9.65	—	9.62	8.43
4.	Machilipatnam	1.13 (11.06)	—	—	—	—	—	8.39	—	7.67	12.08
5.	Nizamabad	1.16 (45.23)	N.A.	4.85	—	—	22.13	14.31	4.18	8.65	2.58
6.	Tenali	1.03 (31.10)	—	—	—	—	—	4.28	—	4.26	7.89
Bihar											
7.	Ranchi	1.76 (43.96)	—	—	—	—	—	7.70	—	7.60	4.61
Gujarat											
8.	Bhavnagar	2.25 (28.11)	12.92	39.80	208.04	36.62	36.55	30.75	17.69	10.74	9.75
9.	Jam Nagar	2.00 (44.61)	15.64	40.19	156.97	58.45	49.14	35.31	20.10	10.82	5.64

10.	Rajkot	3.01 (54.60)	19.74	67.25	240.68	50.17	35.99	33.32	22.34	10.13	4.95
11.	<i>Haryana</i> Rohtak	1.25 (41.49)	10.50	20.89	98.95	74.36	77.45	21.50	16.71	4.61	0.12
12.	<i>Karnataka</i> Belgaum	1.92 (45.67)	16.75	34.18	104.06	52.74	51.31	27.19	17.80	5.94	7.43
13.	Gulbarga	1.46 (50.03)	N.A.	14.65	—	—	33.08	18.19	10.03	5.33	4.75
14.	Mangalore	1.65 (22.68)	—	—	—	—	—	15.88	—	15.25	1.69
15.	Mysore	3.56 (40.09)	11.67	34.30	193.92	20.30	33.26	18.75	9.63	8.96	2.82
16.	<i>Kerala</i> Alleppey	1.60 (15.29)	—	—	—	—	—	9.54	—	6.64	1.57
17.	Quilon	1.24 (36.32)	—	—	—	—	—	16.12	—	10.97	1.53
18.	<i>Madhya Pradesh</i> Burhampur	1.02 (28.23)	6.61	13.06	97.58	49.96	60.11	17.01	12.80	3.34	0.91
19.	Ratlam	1.19 (21.23)	7.84	17.78	126.78	65.66	65.89	21.49	14.94	5.16	0.57
20.	<i>Maharashtra</i> Amaravati	1.94 (40.44)	12.99	41.69	220.94	47.27	56.33	25.90	21.49	4.39	11.30
21.	Dhulia	1.37 (38.62)	8.96	24.76	176.34	39.52	39.49	28.49	18.07	8.80	14.27
22.	Jalgaon	1.07 (32.84)	8.00	19.08	138.50	32.73	37.08	33.79	17.83	14.93	6.19
23.	Kolhapur	2.59 (38.21)	27.10	107.52	296.75	55.43	58.26	50.93	41.51	8.17	14.96

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	<i>Punjab</i>							Rs.	Rs.	Rs.	Rs.
24.	Amritsar	4.08 (14.98)	32.00	65.42	104.63	27.48	72.35	22.05	16.05	5.52	0.15
25.	Ludhiana	3.98 (64.37)	21.55	65.82	205.43	56.59	63.05	23.18	16.54	6.47	0.41
	<i>Rajasthan</i>										
26.	Kota	2.13 (77.00)	N.A.	32.92	—	—	93.81	16.48	15.46	Nil	Nil
	<i>Tamil Nadu</i>										
27.	Coimbatore	3.56 (23.46)	—	—	—	—	—	35.94	—	23.08	4.72
28.	Cuddalore	1.01 (28.01)	—	—	—	—	—	16.12	—	7.21	2.15
29.	Dindigul	1.28 (37.07)	—	—	—	—	—	17.94	—	11.24	1.52
30.	Erode	1.05 (40.59)	—	—	—	—	—	11.96	—	11.90	14.51
31.	Kanchipuram	1.11 (19.19)	—	—	—	—	—	21.17	—	13.25	4.67
32.	Kumbakonam	1.13 (22.02)	—	—	—	—	—	21.92	—	14.43	4.91
33.	Nagarkoil	1.41 (32.95)	—	—	—	—	—	8.47	—	7.57	6.72
4.3	Salem	3.09 (23.74)	—	—	—	—	—	26.08	—	13.91	4.67
35.	Singanalur	1.13 (359.58)	—	—	—	—	—	17.54	—	12.98	3.55
36.	Thanjavur	1.40 (26.44)	—	—	—	—	—	18.48	—	10.79	2.37
37.	Tiruchirappally	3.07 (22.57)	—	—	—	—	—	21.43	—	12.84	1.96

38.	Tirunelveli	1.08 (23.22)	—	—	—	—	—	22.31	—	13.44	1.56
39.	Tirupur	1.13 (41.87)	—	—	—	—	—	27.28	—	20.30	8.46
40.	Tuticorin	1.55 (24.61)	—	—	—	—	—	13.16	—	13.05	5.42
41.	Vellore	1.39 (21.52)	—	—	—	—	—	19.04	—	8.76	2.73
<i>Uttar Pradesh</i>											
42.	Aligarh	2.52 (37.29)	N.A.	25.80	—	—	—	37.12	12.88	10.24	8.23
43.	Faizabad	1.02 (24.31)	4.42	12.79	189.37	37.17	—	38.61	21.99	12.53	9.48
44.	Ghaziabad	1.19 (88.64)	—	21.87	N.A.	—	—	44.05	28.70	18.38	7.69
45.	Jhansi	1.73 (23.56)	9.43	13.36	41.68	52.04	—	42.53	13.56	7.73	4.57
46.	Meerut	2.71 (35.34)	14.79	36.62	147.60	28.52	—	22.62	19.28	13.51	9.26
47.	Moradabad	2.59 (43.39)	N.A.	20.96	N.A.	—	—	51.52	8.75	8.09	4.81
48.	Muzaffarnagar	1.15 (31.08)	0.66	0.64	0.00	4.24	—	1.13	5.29	0.56	7.59
49.	Asansol	1.56 (52.21)	—	—	—	—	—	—	11.80	—	8.25
50.	Kamarhati	1.69 (34.88)	—	—	—	—	—	—	8.08	—	4.90
51.	Panihati	1.48 (58.00)	—	—	—	—	—	—	3.38	—	3.83
52.	New Delhi	3.02 (11.97)	—	85.73 (8.09)	—	—	—	8.09	111.37	28.38	7.77

*Economic Implications of Octroi Levy**

S. RAMA RAO

THE purpose of this paper is to examine the relevance of the octroi levy. Octroi is a levy which retards the free movement of goods and services and hence it impedes the industrial growth. In a broader sense, it is harmful to favour the retention of the levy from the point of view of revenue alone. Several other factors may have to be taken into account while judging the usefulness of a levy. It is in this context, the following analysis is devoted to discuss some of the problems that generally are involved in this levy, examine its relevance and suggest a scheme. Here emphasis has been laid on the abolition of the impost, the need for a transfer from the State (in the form of a compensation) and increased reliance on the existing sources of local revenue in terms of higher revenue effort.

IMPORTANCE OF OCTROI

Octroi occupies an important place in the tax structure of the local bodies in Karnataka, Gujarat and Punjab. Among the southern States of India, it is only in Karnataka the levy is still in operation. On the average, in the total revenue and total tax revenue the yield has constituted 23.51 and 39.11 per cent in the municipal budgets and 22.52 and 46.12 per cent in the municipal corporation budgets of Karnataka State during 1969-70 to 1973-74 (Table 1). Among the goods such as the piece goods, electrical goods, tobacco, building materials, perfumes, petrol, coconut green, and silk yarn that have come into the corporation jurisdiction, piece goods, electrical goods and petrol have acquired major importance in terms of revenue (Table 2). The revenue importance of this tax would increase depending upon the level of urbanization and industrialization (besides base and rate). Also it depends upon the size of the city. As can be inferred from Table 1, its importance is greater to bigger local authorities in their total tax revenue. However, the experience of some of the cities with varied sizes in Gujarat has been the other-way round.¹

* I am grateful to Dr. G. Thimmaiah, Prof. Abhijit Datta and Dr. K.N. Reddy for the encouragement. The opinions expressed are of mine.

¹See, K.N. Reddy, "Implications of Urbanization to Local Bodies in Gujarat," in Dr. Vyas, *et. al.*, (Ed.): *Gujarat Economic Association Conference Papers*, Balgovind Booksellers, Ahmedabad, 1971, Part II, ch. 10, p. 13.

Table 1

REVENUE IMPORTANCE OF OCTROI IN THE MUNICIPAL AND MUNICIPAL CORPORATION BUDGETS IN KARNATAKA STATE

(Rs. lakhs)

Year	Municipal Budgets*			Corporation Budgets†		
	Revenue from Octroi	Col. (2) as % of total revenues	Col. (2) as % of total tax revenues	Revenue from Octroi	Col. (5) as % of total revenues	Col. (5) as % of total tax revenues
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1969-70	337.33	22.00	36.08	236.29	21.41	42.76
1970-71	361.45	22.95	39.28	266.20	21.45	45.08
1971-72	426.23	23.25	37.61	307.45	20.27	46.78
1972-73	451.95	23.42	38.46	354.15	24.20	46.64
1973-74	522.23	25.93	42.64	427.04	25.29	49.40
Average		23.52	39.11		22.52	46.12

Notes *Include a total of 247 municipalities.

†Include Bangalore Municipal Corporation and Hubli-Dharwar Municipal Corporation.

Source: Brochure on the Finances of Municipalities and Municipal Corporations in Karnataka State (Bureau of Economics and Statistics, Bangalore, 1975)

PROBLEMS OF OCTROI LEVY

Some of the problems that generally related to the octroi levy are: (1) regressive nature, (2) trade and traffic, (3) refunds, (4) undervaluation, smuggling, etc., and (5) waste of time. Let us now give a brief run to each of these problems.

(1) The regressive nature of the levy can be viewed in several ways. The Octroi is a levy on the goods and services which are meant for local consumption while the sales tax is a levy on the sales made (turnover) in a local jurisdiction. In a sense both these levies are on the same category of goods (of course, with minor variations and few exceptions) and thus pyramiding of taxes by two layers of governments would not be desirable. This is a point which we shall turn to in course of our analysis.

(2) Undoubtedly, octroi causes a serious hurdle² to the trade and traffic

²See Government of Karnataka, *Report of the Mysore Taxation and Resources Enquiry Committee*, Bangalore, 1969, ch. II, p. 117.

Table

MAJOR COMMODITY-WISE REVENUE YIELD AND ITS

Year	Piece goods		Electrical goods		Tobacco		Building material	
	Amount	Col. (2) as % to total yield of octroi	Amount	Col (4) as % to total yield of octroi	Amount	Col (6) as % to total yield of octroi	Amount	Col (8) as % to total yield of octroi
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1960-61	20.92	42.77	1.87	3.82	2.24	4.58	3.00	6.13
1961-62	25.23	32.43	2.12	2.72	2.31	2.97	2.84	3.65
1962-63	28.53	41.38	2.50	3.62	2.27	3.29	2.54	3.68
1963-64	36.10	37.14	4.26	4.38	4.47	4.60	4.46	4.58
1964-65	41.57	38.75	10.85	10.11	5.00	4.66	5.66	5.27
1965-66	41.84	34.28	15.68	12.84	5.51	4.51	6.70	5.49
1966-67	47.66	35.78	18.72	14.05	5.96	4.47	6.31	4.73
1967-68	57.08	34.77	21.35	13.00	7.65	4.66	7.95	4.84
1968-69	75.17	43.39	17.27	9.96	5.77	3.33	7.16	4.13

Note: Include mill cloth, art silk, woollen and handloom goods.

Source: *Annual Administration Reports of the Corporation of the City of Bangalore.*

and thus it impedes the industrial development. It would be worth quoting the estimate of economic and other losses as calculated by the *Road Transport Taxation Enquiry Committee (1967)*:

(a) Between Bangalore and Mangalore (about 800 kms), a vehicle has to stop for 36 hours and 40 minutes at check-posts.

(b) Between Bangalore and Secunderabad and return (1100 miles), 16 hours were on account of octroi detention out of 64 hours.

The Committee has concluded that on the basis of 5000 check-posts in the country and 20 vehicles passing through a check-post in a day with half an hour detention, the distance covered by a vehicle per hour being 7.3 kms and wastage will be 8.2 crore truck miles in a year (13.1 crore truck kms.) or in terms of financial value Rs. 8.2 crores at the rate of Re. 1 per mile.³ Thus in view of the increasing trade and commercial activity, octroi causes

³See, Government of Karnataka, *Report of the Municipal Finance Enquiry Committee*, Bangalore, 1975, p. 111; see Abhijit Datta, *Urban Government, Finance and Development*, World Press, Calcutta, 1970, ch. VI, p. 62.

COMPOSITION IN THE TOTAL REVENUE FROM OCTROI

(In Rs. lakhs)

Perfumes		Petrol		Coconuts green		Silk yarn	
Amount	Col (10) as % to total yield of Octroi	Amount	Col (12) as % to total yield of Octroi	Amount	Col (14) as % to total yield of Octroi	Amount	Col (16) as % to total yield of Octroi
(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
0.83	1.69	3.19	6.52	0.88	1.80	1.62	3.31
1.32	1.69	3.63	4.66	0.81	1.04	1.44	1.85
2.02	2.93	7.90	11.46	0.79	1.14	1.96	2.84
1.80	1.85	14.01	14.41	1.61	1.65	2.64	2.71
2.85	2.65	12.71	11.84	1.92	1.79	1.95	1.81
2.89	2.36	14.06	11.52	1.80	1.47	2.20	1.80
3.29	2.47	17.11	12.84	1.78	1.33	3.03	2.27
3.92	2.38	22.11	13.47	2.06	1.25	3.79	2.31
3.95	2.28	24.09	13.90	1.32	0.76	5.90	3.40

immobilization and loss to the economy.

(3) Refunds are allowed in those cases where the octroi has been levied but goods are reexported and in cases of excess collection on octroiable goods. It is generally conceded that several of the defects at present associated with octroi stem from the working of the system of refunds. Special administrative arrangements and somewhat complicated procedures are inseparable from a system of refunds. As the amounts to be refunded (which are sometimes large) can only be determined after investigation of the claims, an element of uncertainty about the final revenue is often a feature of the system. The system of refunds leaves much to be desired, in as much as it cannot function effectively either in a rigid or an elastic form. In a flexible system there is likelihood of revenues of local bodies being reduced by being too liberal and also by admission of false claims while a rigid system may lead to delay harassment to consigners and consignees.⁴

⁴See Annual Administration Report of the Corporation of the City of Bangalore, 1971-72.

(4) In several cases it is reported that the goods are undervalued or the drivers produce fictitious invoices. In some cases, the goods may not find place in the invoice, exportable goods not being true, and operators have to bribe the octroi personnel to get the undervalued invoices accepted or to escape assessment. In addition, because of lack of efficiency in administering the tax it has given rise to increased smuggling activity. Even though the amount involved and the exact nature of the activity are scarcely brought to the book, the leakage of revenue is substantial. At the same time, the reasons for the failure to track down these clandestine practices are attributed to the inadequacy and the poor condition of the vehicles and also the dearth of competent supervisory personnel to inspect the expanding jurisdiction of the corporations.⁵

(5) Where octroi is based on unit or weightment, it takes time for the goods to be unloaded and checked. There are no warehousing facilities in many places. It requires experienced personnel to check the values with the prevailing rates, if the duty is *ad valorem*. While the bigger local bodies like corporations⁶ are not able to man the administration of the tax with qualified and experienced personnel, the experience of smaller local bodies is pathetic leading to the evasion of the duty.

In the light of these problems, the question that arises is whether we want to retain octroi and thus encourage and cause deleterious effects to the growth of the economy or we dispense with it altogether. The following analysis is devoted for the search for alternatives.

ALTERNATIVE LEVY

In this section, we examine the feasibility of alternatives. It is evident that a number of study teams have suggested the levy of: (i) surcharge on sales tax or additional sales tax, (ii) (a) municipal sales tax, (b) municipal surcharge on sales tax, (iii) municipal turnover tax, (iv) other complementary levies. The Municipal Finance Enquiry Committee of Karnataka (1975) has recommended for the continuation of octroi. It has favoured a municipal turnover tax at one or two per cent on gross turnover. It has also recommended that these alternative levies may be entrusted to sales tax organization and in respect of municipal turnover tax powers could even be granted to municipalities.⁷ The Report of the Committee on Augmentation of Financial Resources of

⁵See, S. Rama Rao, *Finances of Bangalore Municipal Corporation*, Institute for Social and Economic Change, Bangalore, 1976.

⁶The observations of various committees and commissions have been the same. See Government of U.P., *Report of the Uttar Pradesh Taxation Enquiry Committee*, Lucknow, 1968-69, ch. XVII, p. 164.

⁷*Report of the Municipal Finance Enquiry Committee, op. cit.*, p. 111. Also see, M.U. Rao, "Recommendations of the Study Group on Octroi: Some Reflections", *Quarterly Journal of Local Self-Government*, Vol. XII, No. 3, Jan.-March 1971, pp. 263-64.

Urban Local Bodies (1963) also has recognised the evil effects such as incidence being regressive, the mode of collection being cumbersome and vexatious, difficulty in getting refunds, low paid staff manning the check-posts being easily susceptible to corruption, high cost of collections restriction on movement of trade, and has come to the conclusion that "we are also of the view that bad as octroi is as a form of local taxation, it cannot be abolished outright unless alternative sources of taxation which should compensate for the consequential loss of revenue are found... Octroi in its present form should be gradually replaced either by turnover tax or by a surcharge on sales tax or by some other method."

The Rural Urban Relationship Committee (1966) has also pointed out that octroi levy retards the development of commerce and industry. The Committee recommended the levy of a surcharge not exceeding 25 per cent on sales tax to replace octroi.

All the study teams have more or less emphasized the need for abolition of octroi and recommended for an additional levy on or along with the sales tax. What appears is that these recommendations are not practicable because further taxation on turnover of goods is regressive because of the range of the goods consumed is, by and large, the necessities and this would cause hardship to the larger section of the consumers. Therefore, a levy on the selective category of goods like luxuries (such as electronics, refrigerators, motor vehicles, etc.) whose revenue contribution constitutes around 45 per cent of the total yield from the sales tax revenue may be considered. However, it may be said that as the octroi is a local levy and the burden of which has to be borne by the local community such a switchover exclusively to luxuries may have to be dealt with at the state level.

It may also be noted that in the states where the octroi levy is in operation and where the type and number of levies are the same, the state governments are awarding large amounts of grants. It has been widely acknowledged that in the State of Gujarat, the local bodies have received a far higher proportion of total receipts of state government in the form of grants-in-aid than their counterparts in the rest of the states.⁸ It has also been noted that sometimes the volume and flow of grants depend upon the size of the local bodies.⁹ This, however, is not true with respect to states like Karnataka where the composition of grants forms a meagre amount or Andhra Pradesh where the grants are concentrated at the rural local bodies' level.

In Karnataka, during the fourth plan period, their composition varied between 4 to 6 per cent and 3 to 9 per cent in the total revenues of the municipalities and municipal corporations (Table 3). On the contrary, in India

⁸K.N. Reddy, "A Case for the Abolition of Octroi in Gujarat: Some Alternatives", *Artha Vikas*, Vol. XII, January-June, 1976, p. 95.

⁹See, Roger S. Smith, "Financing Cities in Developing Countries", *IMF Staff Papers*, Vol. XXI, No. 2, July 1974.

Table 3
COMPOSITION OF GRANTS IN THE BUDGETS OF THE LOCAL BODIES
IN KARNATAKA STATE

Year	Karnataka			
	In Municipal Budgets		In Corporations Budgets	
	Amount of grants (in Rs. lakhs)	% Composition in Total revenue	Amount of grants (in Rs. lakhs)	% Composition in total revenue
1969-70	92.98	6.04	48.25	4.37
1970-71	98.79	6.27	114.24	9.20
1971-72	100.25	5.47	85.75	5.65
1972-73	85.95	4.45	87.42	5.97
1973-74	86.06	4.27	57.08	3.38

Gujarat takes the lead in awarding grants to its local bodies and this formed¹⁰ about 31.2 and 29.1 per cent in the total revenues of the local bodies during 1968-69 and 1969-70. In fact, the absence of a grants-in-aid code has led to *ad hoc* and haphazard awarding of grants and this in turn has resulted in the unplanned investment pattern in the local areas. Even though a case is not made here to increase the amount of grants, it is to be noted that more emphasis should be laid on specific purpose grants and on ensuring their proper utilization. On the other hand, the proposal which we made to make over a part of the revenue from the taxation on the luxuries, etc., can come under block type of grants. As the revenue that will accrue under this arrangement would be directly proportionate¹¹ to the States' yield from that source, local bodies are assured of certainty and elasticity of their share.

In the wake of the need to abolish octroi, it is pertinent to study briefly the present tax burden in the local areas. The per capita burden is more in the local areas than in the State as a whole; at the same time, it is higher in the corporation jurisdiction than in the other local areas. For example, it varied between Rs. 27.19 to Rs. 42.54 in the corporations and Rs. 11.13 to Rs. 17.20 in the municipalities of Karnataka State (Table 4) while in Gujarat corporations¹² it increased from Rs. 38.59 in 1950-51 to Rs. 66.30 in 1970-71.

¹⁰See *Report on Currency and Finance, 1969-70*, pp. S.102-S.105.

¹¹The shortcomings that emerged out of the payment like toll and motor vehicle tax compensation need not be expected in this case. See, Rama Rao, S., "An Examination of State Compensation to Municipalities in Andhra Pradesh", *Artha Vijnana*, Vol. 18, No. 1, March 1976.

¹²M.R. Desai, "A Study of the Finance of Municipal Corporations of Gujarat", *Artha Vikas*, Vol. XII, January-June, 1976, Table IV, p. 78 (Gujarat Corporations include: Ahmedabad, Baroda and Surat).

However, the main hypothesis is that there is a large-scale under-valuation and poor collection of the tax revenue and it may be estimated to cause a loss of about 30 to 40 per cent of the potential.¹³ Under these circumstances there appears a case to insist on the local bodies to increase their tax effort on the sources other than octroi so as to alleviate the inherent evils of the levy.

Table 4**PER CAPITA TAX BURDEN BY THE STATE MUNICIPALITIES AND MUNICIPAL CORPORATIONS IMPOSTS IN KARNATAKA**

<i>Year</i>	<i>State</i>	<i>Municipalities</i>	<i>Municipal Corporations</i>
1969-70	0.31	11.13	27.19
1970-71	0.34	12.40	29.06
1971-72	0.52	13.81	32.34
1972-73	0.43	14.87	37.37
1973-74	0.65	17.20	42.54

CONCLUSION

In view of its harmful effects to the promotion of trade, commerce and industrial activity, octroi requires to be done away with. As an alternative, it would be desirable to levy a sales tax on the luxury items and the revenue may be made over to the local bodies on the basis of the three years' average at the time of abolition. In addition, the States have to increase the volume of specific purpose grants and ensure proper utilization. Even though the abolition of the octroi levy in a sense involves loss of local autonomy, the main objective is to increase their tax effort and make them self-reliant.



¹³It is a matter of concern that the local bodies for fear of incurring local displeasure and unpopularity, fail to tap their sources of revenue. Though direct taxes administered by any layer of government have the same experience, the intensity of problem is much more with the taxes handled by the local bodies. The profession tax, for example, which is not levied efficiently by the local bodies was taken over by the State Government in Karnataka State and expected to yield to the State Exchequer about Rs. 4 crores while the local bodies were able to derive only Rs. 5 lakhs.

See, Government of Karnataka, *Budget Speech of the Minister of Finance*, Bangalore, 1976-77, pp. 51-4.

Incidence of Local Taxation on Building Materials

B. G. DESHMUKH

THE civic authority which primarily exists for rendering civic services to the inhabitants of the area falling within its jurisdiction, have definite items for raising their resources. The important ones amongst these are property taxes which include the General Tax, the Halalkhore Tax recently replaced by the Municipal Corporation of Greater Bombay by the Sewerage Tax, the Water Tax which is replaced by Water Charges where water is given for consumption chargeable on actual consumption as recorded on meters, Education Cess, Fire Tax, etc., Octroi is leviable on various types of goods brought into the area under the control of the civic authority for local consumption while Wheel Tax is leviable on vehicles registered and plying within the area under their jurisdiction. In the areas where the commercial and industrial activity is at its maximum, octroi constitutes one of the major sources of revenue. This will be evident from the following Table in respect of the total receipts on account of each one of the above heads for the three financial years, viz., 1971-72, 1972-73 and 1973-74 (Table 'A' below). Octroi has constituted about 31 per cent of the total revenue of the Corporation and still continues to be one of the principal sources of revenue as, for most of the items, it is charged *ad-valorem* and has, therefore, a direct bearing on the cost of goods brought into the city for local consumption.

Table 'A'

	1971-72	1972-73	1973-74
		(Rupees in crores).	
(A) Property Tax			
(i) General tax	18.1	18.2	20.3
(ii) Water charges	9.2	10.1	12.4
(iii) Sewerage tax	2.7	2.7	3.0
(iv) Education tax	1.6	1.7	1.8
(v) Fire tax	0.6	0.6	0.7
(B) Octroi	18.1	19.6	21.9
(C) Wheel tax	1.2	1.2	1.3
(D) Total on account of all sources	58.3	60.3	70.9
Percentage of octroi to total	31	32	30

RISING DEMANDS ON RESOURCES

If we appreciate the demands on the resources of any civic authority, it will be evident that where a city is growing at a very rapid pace, like what is happening in the case of Bombay, Madras, Calcutta, Delhi, or for that matter also Ahmedabad, the resources which have a direct bearing on the rise in the building activity, which has a direct bearing on the total rateable value which ultimately determines the receipt on account of property taxes or the commercial and industrial development in the city, which has also a bearing on the potential of the city to offer a scope for development in these fields, it will be evident that the rise in the resources is not commensurate with the demand on the resources in the form of more and more public amenities such as communications, housing, schools, water supply, sewerage, preventive and curative public health, etc. These demands go up in geometrical progression with the rise in population and rise in cost of living whereas the rise in resources is only shown to be following almost a straight line graph. As a result of this, many a city cannot successfully rise to the level of expectations of their population and have, in the process, created a situation of lack of proper management of their resources, resulting in the civic authority being superseded under the provisions of either the Corporation Act or the Borough Municipal Act. The idea of entering into the discussion right at the beginning of the presentation of this paper is to bring out that if taxation on the vital materials which go in the construction of housing is found to enhance the cost by whatever margin it will be brought out hereafter, it is one component which the civic authority cannot afford to lose being a substantial component of their total revenue due to the commercial activity in progress in the areas under their jurisdiction.

BUILDING ACTIVITIES IN BOMBAY

In the limits of the Municipal Corporation of Greater Bombay which is 437 sq. kilometres (169 sq. miles), building activity is in progress through a number of agencies. These are the Union Government for the staff working under them for the various organizations such as Railways, Income Tax Department, various Corporations established by the Union Government, such as L.I.C., scheduled banks, statutory bodies like the Bombay Port Trust, the State Transport, etc., the State Government for their administrative offices as well as their essential staff, the local authorities for various activities, such as administration, public health, education, markets, housing for their staff etc., and lastly, statutorily established corporations like Housing Board as a part of the obligatory feature of their existence for providing more and more housing to those in need of them in the various sectors determined by financial capabilities. Thus, building becomes an activity or an enterprise next to the most important enterprise of Bombay, *viz.* textile mills involving agencies

like engineers, architects, plumbers, skilled artisans, labour, etc. Crores of rupees worth materials of construction like steel, cement, metal, bricks, tiles, fixtures and fastenings, etc. are required. Excepting for production of a few items locally, the rest are brought from outside and in the process invoke obligation of payment of octroi. The buildings to be constructed in the metropolis like Bombay are of various types—they may be commercial and office buildings, buildings for industries such as factories, godowns, they may be administrative buildings for Government and civic bodies, they may be buildings meant for the members of the public, such as colleges, schools, hospitals, dispensaries, markets, etc., and lastly housing to be done under various sectors. If building is taken as a general terminology, it could also involve roads and works of building activity to be undertaken in connection with important amenities like providing water supply and sewerage for a community. The total employment direct and indirect in the whole process in the city of Bombay may amount to as high as about 1,50,000 souls. Taking 5 persons dependent on each person employed in the building trade, almost 12 to 15 per cent of the whole of the population in the city is dependent for their livelihood on the building activity which from this consideration can be put as the second largest enterprise in the city. Depending upon the purpose for which the building activities are undertaken, the various components of expenditure involved will obviously undergo a change. Taking however the break-up as is worked out for the building construction activity, the components of expenditure on the various items as roughly worked out are as indicated in Table 1.

OCTROI ON BUILDING MATERIALS

With the present level of octroi duties leviable on the various commodities mentioned in the list, the component of octroi in the whole cost of construction of Rs. 100 is Rs. 1.12, *i.e.*, 1.12 per cent. If the total cost of construction per sq. foot of carpet area at a place like Bombay is taken as Rs. 60 and on account of high cost of land, component on account of freehold land is taken at Rs. 40 on an average, the maximum average per sq. foot cost of building construction in Bombay will work out to Rs. 100. Taking the percentage as worked out above and passing it on the construction proper, *viz.*, Rs. 60, the total component of local taxation in the per sq. ft. overall cost will work out to 0.67 per cent which is comparatively insignificantly small to act as a deterrent to the building activity, but is vital from the point of view of local authority as without this levy, the local authority will be denied of one of the most important means of raising resources so vitally necessary for giving other essential amenities like communications, education, water supply, sewerage, public health, etc.

From the above discussion, I personally feel that local taxation is not a very severe handicap in the development of this vital activity.

Table 1

TAKING THE TOTAL EXPENDITURE OF BUILDING ACTIVITY AS RS. 100

<i>S. No.</i>	<i>Item</i>	<i>Cost in Rs.</i>	<i>Octroi in Paise</i>	<i>Remarks</i>
1.	Cement	12.33	5.00	
2.	M.S. bars	25.67	7.50	
3.	Metal No. 1, 2 & 3	4.13	14.00	
4.	Sand	4.00	13.55	
5.	Rubble	0.40	0.90	
6.	Bricks	2.76	5.52	
7.	Lime	0.57	0.97	
8.	Flooring tiles	1.81	3.62	
9.	Glazed tiles	0.57	1.14	
10.	Timber	3.00	15.00	
11.	Stone flooring	0.70	4.70	
12.	Fixtures and fastenings	0.62	1.24	
13.	Oil Paint	0.30	0.60	
14.	White washing	0.24	0.48	
15.	Cement paint	0.40	0.80	
16.	Collapsible gate	0.07	0.14	
17.	Rolling shutter	0.10	0.20	
18.	M.S. tank	2.00	4.00	
19.	Steel windows	1.25	2.50	
20.	Drainage	4.23	8.46	
21.	Water supply	1.30	2.60	
22.	Electrification	6.63	13.26	
23.	Miscellaneous	2.93	5.86	
24.	Labour	14.00	Nil	
25.	Overheads & profit	9.99	Nil.	
		100.00	112.04	

CONCLUSION

(1) The civic Government have definite sources of revenue, such as property taxes, octroi, wheel tax, etc. Octroi leviable on commodities brought for local consumption constitutes about 31 per cent of the total revenue (so far as Bombay is concerned).

(2) With rising demand on resources, civic Governments are finding it extremely difficult to cater to the demands of the population for various essential amenities, the demands on which are growing in geometrical progression.

(3) Taking building construction as one of the essential components of the total building activity and considering the average prices of the various

materials, labour and land, the component of the total expenditure on account of the levy of octroi works out to only 0.67 per cent. This is insignificantly small as compared to the total expenditure and the prices offered during the sale of flats on ownership basis. However, discontinuation of octroi on materials of construction to promote building activity will be to the detriment of the resource generating potential of a civic body and hence, cannot be recommended.



The Octroi Question

I. CHAUDHURI

THE subject of octroi has been debated for well over half a century in this country at various levels. The number of commissions and committees appointed both by the Central and State Governments to examine this question perhaps exceeds most others. In addition to these official bodies, it has evoked considerable interest in academic and study circles. This only goes to illustrate the crucial role that octroi revenues play in the day-to-day life of the average citizen.

ROLE OF OCTROI IN LOCAL REVENUE

However, in the States where octroi is levied, it plays a crucial role in providing revenue to the local governments for discharging their civic responsibilities. To give only an example in the 4 States shown below, the earnings from octroi are as follows :

Table 1

<i>S. No.</i>	<i>Name of State</i>	<i>Year</i>	<i>Revenue derived</i>
1.	Maharashtra	1974-75	54.00 crores
2.	West Bengal	—	20.00 crores
3.	Uttar Pradesh	—	18.00 crores
4.	Karnataka	1974-75	9.12 crores

Again, to further illustrate this point, it may be seen that in the following Corporations (Table 2), the yield from octroi and terminal taxes comprises between 40 to 60 per cent and in the case of Indore 82.37 per cent.

The States and Corporation mentioned above have large industrial concentration and the growth of industries is taking place at a highly accelerated pace. The urban pressure and consequent needs that have to be catered to,

Table 2

<i>Sl. No.</i>	<i>Name of Corporation</i>	<i>Percentage of Octroi yield of total income¹</i>
1.	Ahmedabad	52.11
2.	Baroda	58.26
3.	Surat	62.99
4.	Bangalore	55.46
5.	Hubli-Dharwar	51.86
6.	Indore	82.36
7.	Allahabad	59.83
8.	Sholapur	62.04
9.	Pune	60.16
10.	Delhi	43.55

are increasing by leaps and bounds. The urban population has already increased between the year 1951 to 1966 from 238 million to 500 million. Again, the pressure of urbanization is being felt specially in States such as Maharashtra, West Bengal, Gujarat, Karnataka and Tamil Nadu. Therefore, those States will have to find adequate revenues to look after the civic requirements of the towns and cities. The local bodies are, therefore, heavily pressed to find adequate sources of revenue to meet their growing commitments. It is, therefore, little wonder that in many States they have been depending on the levy of octroi as a major source of their revenue. However, to put the picture in the right perspective, it must be said that there are a number of other States such as Andhra Pradesh, Bihar, Tamil Nadu and Kerala which are not utilizing octroi as a financial resource. In fact, the Government of Madhya Pradesh has taken the bold decision recently in doing away with earnings from this source.

By and large, it has been agreed that octroi provides a flexible source of revenue which has elasticity, productivity and certainty. In fact, it is because of these reasons that the roots of octroi have grown very deep and withstood the various criticisms against it. In fact, revenues from octroi on an all-India basis yield approximately 37 per cent of the total revenues for the local bodies (1970-71). It is also of interest to note that property tax contributes 50 per cent of the total revenues of the local bodies (1970-71).²

REGRESSIVE TAX

On the other hand, one cannot advocate this tax as being a practicable one. It is a regressive tax and is not utilised in most of the advanced countries.

¹Taken from *Committee on Budgetary Reforms and Municipal Administration*, p. 25.

²National Council of Applied Economic Research, New Delhi.

The existence of octroi in this country has bred corruption to a very large extent and has also impeded the free flow of traffic within this vast country. It has not only led to lowering of standards amongst the staff manning the octroi checkpoints but has also encouraged the anti-social elements, and such traders who find in its evasion an attractive source of gain. The physical obstructions can be gauged from the fact that there are in existence about 3000 checkpoints in the State of Uttar Pradesh, 1000 checkpoints in Maharashtra, 467 checkpoints in Karnataka and 168 checkpoints in West Bengal. The existence of these checkpoints go to show the tremendous administrative problems that arise. It is not possible to ensure adequate supervision over such vast distances and scattered areas. On the other hand, the entire transport network of the country is affected and valuable delivery time is lost at these points. These problems, however, also occurred in the enforcement of many other types of checkpoints such as cordoning and police checkpoints.

JUSTIFICATION FOR THE LEVY

However, octroi may have to continue to be levied in some metropolitan cities. Its operation and implementation, however, needs to be improved. There are some cities which form the nodal point of all major economic activity of a particular region of the country and attract within its fold large numbers of people each year, seeking employment and business opportunities from all over the country. These giant agglomerations and conurbations will have further urban growth on an unprecedented scale. As such, these cities will be subjected to severe strains and every effort will have to be used to provide the resources to meet the increasing demands. If adequate revenues are not provided these cities will be fighting a losing battle. In such places only, perhaps the levy of octroi will remain justified for a larger period.

One has in mind the metropolitan areas such as Bombay and Calcutta in making the above observations. It would also be easy to eliminate most of the defects associated with octroi in such cases as points of entry are few and, therefore, with better supervision of the checkpoints, there will be less of the defects associated with its operation. Even the movement time lost in checkpoints would not, in this context, matter as there is always slowing down of the speed of vehicles before entering such cities.

SOME SUGGESTIONS

In other areas, there is less justification for the continuance of octroi. There is every case for subsidising or compensating the loss by withdrawal of octroi to the local bodies. As alternatives to octroi, more than one type of tax has been suggested, such as levy of turn-over tax, increase on surcharge on

sales tax, earmarking to the municipal bodies of certain taxes as compensation and various other measures.

It would also no doubt be worthwhile to study the results of different methods of imposition of this tax. The new approach of the Delhi Municipal Corporation with regard to terminal taxes by levying a flat rate on each vehicle at the point of entry has been proving equally lucrative and at the same time much easier to implement. Some further study in this direction would be useful. Similarly, the example of Madhya Pradesh of abolishing octroi and compensating the local bodies by giving a share of the turn-over tax recently imposed, is also worth looking at from an overall point of view.

There is, therefore, much scope for making administrative improvements not only in matters relating to supervision of the checkposts but in the actual methods and approach towards the levy and collection of this tax. There is scope for considerable innovation and imagination so that the tax could still serve its purpose in such limited places.

Again, the States where octroi would be abolished would no doubt claim an equivalent amount as compensation and would also demand some additional subsidy for future losses. In States where octroi is not being levied, this compensation would not be available even though these States have shown a progressive attitude. It is, therefore, necessary to think of some suitable via media of providing financial assistance to local bodies which would be acceptable to all.

At present, octroi is in Entry 52 of the State List and the consent of the State Governments have to be taken. However, it is desirable to have a uniform approach in this matter and for this purpose, the Committee recently appointed under the Chairmanship of Dr. G.S. Dhillon, Union Minister of Transport and Shipping, would undoubtedly play a vital role in evolving certain concrete thinking and suggesting suitable substitute in this regard.

Today, the National Permit Schemes for Road Transport forms part of the national policy. It is a positive step towards betterment and it is hoped that the levy of octroi will be studied against this background. A Committee has been constituted under the Chairmanship of the Hon'ble Minister for Shipping Dr. G.S. Dhillon which includes those Union Cabinet Ministers and Chief Ministers of States who are concerned with this matter.

CONCLUSION

Lastly, in conclusion, it should be stated that local governments have been guilty for quite some time of not utilizing their existing taxing and collecting powers to the fullest. This is true whether it would be with regard to property tax, entertainment tax or other such taxes. For this purpose, the active involvement of all those concerned would be required.

It is, therefore, essential that the machinery of local administration acquires the necessary professionalism for the discharge of its multifarious

duties in the present-day context. A piece-meal approach towards civic problems will have to be discarded and replaced by effective and efficient methods. It is ultimately upon the level of participation and sense of involvement of the citizens living in the jurisdiction of a particular local body that the success of local administration will depend. It is, therefore, suggested that dependence on octroi alone will not solve the various problems which confront the local bodies.



*Octroi—Can it be Abolished ?**

SATISH KUMAR

OCTROI is one of the oldest taxes in India. Its origin is traceable to the East India Company Regulation of 1805 but it was also prevalent in Moghul period which was known as 'Chungi'. Octroi which forms part of Entry 52 of the State List, is a tax on the entry of goods into a local area from other areas of the country for 'consumption, use or sale therein.' Goods meant for immediate export are outside the purview of octroi. The exemption and refund are the important features of octroi system.

There has been a controversy since time immemorial whether octroi is a good or bad tax. In answering this we have to study the effects of octroi as it operates on the economic activity and economic well-being of the residents of other areas, particularly those areas which are not imposing octroi.

Octroi has been severely criticized on the ground that it retards the growth of commercial and industrial activities by interfering with the speedy movement of goods through the detention of vehicles and goods. The main bottleneck is the existence of octroi checkposts which detain vehicles on the roads quite frequently and also cause delay and annoyance to the tax payers. It breeds corruption of a very high order. The Ministry of Shipping and Transport conducted a study recently to estimate the net burden on the community as a result of the delay caused by octroi and was of the opinion that for every rupee of net revenue from octroi, the net burden on the community was Rs. 6.27 and the gross burden Rs. 7.27.

Though considered vexatious tax, octroi still continues in India because of the solitary reason that it is a major source of revenue to the local bodies. Right from 1924 onwards many Committees, e.g., Motor Vehicle Taxation Enquiry Committee (1950), the Road Transport Reorganisation Committee (1959), Augmentation of Financial Resources of Urban Local Bodies (1963), the Committee on Transport Policy and Coordination (1966) and also Rural-Urban Relationship Committee (1966), examined the evils of octroi and recommended that octroi should be abolished. All these Committees also suggested some alternatives to octroi but the State Governments have not yet been able to adopt any substitute.

* The views expressed in the paper are of the author and do not contain the views of the Ministry of Works and Housing.

The Ministry of Works and Housing collected data regarding the revenue derived from octroi from various State Governments. The following table indicates the revenue derived from 4 States where the revenue from octroi is significant.

<i>S. No.</i>	<i>Name of State</i>	<i>Year</i>	<i>Revenue derived</i>
1.	Karnataka	1973-74	9.12 crores
2.	Uttar Pradesh	—	18.00 „
3.	West Bengal	—	20.60 „
4.	Maharashtra	1974-75	54.00 „

So far as the States of Karnataka, Maharashtra, Tamil Nadu, West Bengal and Uttar Pradesh are concerned the revenue derived from octroi is quite significant. No octroi is levied in Andhra Pradesh, Bihar, Tamil Nadu and Kerala. The Government of Madhya Pradesh has recently abolished octroi by an ordinance issued on the 1st May, 1976.

Even in corporations the revenue from octroi varies from 50 per cent to even 80 per cent of its total revenue. The following table indicates the percentage of revenue from octroi as compared to total revenue from octroi in the years 1971-72:¹

<i>S. No.</i>	<i>Name of the Corporation</i>	<i>Percentage of Income from Octroi and Terminal Tax Revenue</i>
1.	Ahmedabad	52.11
2.	Baroda	58.36
3.	Surat	62.99
4.	Bangalore	55.46
5.	Hubli-Dharwar	51.86
6.	Indore	82.37
7.	Bombay	34.98
8.	Poona	60.16
9.	Sholapur	62.04
10.	Allahabad	59.83
11.	Delhi	43.35

¹Government of India, *Report of the Committee on Budgetary Reforms in Municipal Administration*, Ministry of Works & Housing, New Delhi, 1974, p. 25.

RETENTION V. ABOLITION

Attempts were made from time to time either to replace or modify the system of octroi as its very nature was considered obnoxious. Various Committees and Commissions appointed by the Central and State Governments like Gujarat and Karnataka have studied this problem in depth. Zakaria Committee (1963) on Augmentation of Financial resources of Urban Local Bodies recommended that octroi in its present form should be gradually replaced either by turn-over tax or by a surcharge on sales-tax or by some other methods which may cover its sphere, but is free from its evils. The Rural-Urban Relationship Committee (1966) held that octroi and terminal taxes were equally obnoxious except in degree. Interim Report of the Road Transport Enquiry Committee on Octroi and other Check Posts (1967) have also suggested that in lieu of octroi the urban local bodies should have either a share or the power to impose a supplemental levy on the States' Sales-Tax. The exact manner or its substitution has been left to the individual States. The B.P. Patel Committee on Municipal Finance Commission in Maharashtra State (1974) has recommended that octroi should be replaced by multiple turn-over tax. Karnataka Municipal Finance Enquiry Committee are of the view 'that any alternative tax will have a cumulative burden on the large section of people. Replacing Octroi by other taxes will not remove corruption, evasion or trade difficulties. After some time if people are educated both traders and consumers will come to know that they will be paying much more than what they used to pay on octroi.'²

The Ministry of Works and Housing has also taken up this matter through various forums of thinking. The Fourth Joint Meeting of the Central Council of Local Self Government and the Executive Committee of All India Council of Mayors (1974), reviewed the position in regard to the decision taken on the abolition of octroi. The State Governments because of the weak financial position of the local bodies wanted its abolition to be gradual. It was further discussed in the 16th Meeting of Central Council of Local Self Government which was held in October, 1975, wherein there was general disagreement on the abolition of octroi because of the weak financial position of the local bodies. It was felt that the abolition of octroi would further weaken the financial position of the local bodies.

There are certain points for retention of octroi which are given below :

- (i) The financial position of local bodies is quite dismal and the abolition of octroi would further weaken it.
- (ii) It may also be pointed out that octroi is not the only bottleneck. There are other bottlenecks like police-posts, forest departments' checkposts, etc., which are responsible for the slow movement of

² *Report of the Municipal Finance Enquiry Committee, Karnataka, August 1975, pp. 132-33.*

traffic. It is roughly estimated that octroi-nakas account for only 30 per cent of the delays of movement of traffic. The rest of 70 per cent delays are attributed to other factors mentioned above.

- (iii) Octroi is not only levied on the vehicles but also on persons carrying loads on their heads who pass through one checkpoint to another. Thus its abolition may leave many untaxed.

At the Chief Minister's Conference held on 6th March, 1976, while discussing the National Permit Scheme for Road Transport, which is one of the 20-point Economic Programme of the Prime Minister, it was decided that a Committee be set up consisting of the Chief Ministers of Andhra Pradesh, Madhya Pradesh, West Bengal, Maharashtra, Punjab and Karnataka and also the Union Ministers of Shipping and Transport, Industries and Civil Supplies, Works and Housing, and Finance to consider the abolition of octroi and its replacement by a suitable levy. Accordingly, a meeting of the Committee of Chief Ministers and Union Ministers was held on 15th May, 1976, under the Chairmanship of Minister for Shipping and Transport. In the meeting, it was observed that the main defects of the octroi system were the methods for its collection and the delays which the levy of the tax entailed, all-round corruption and loss to the economy due to the considerable hold up of trucks at various points, etc. The Committee agreed in principle, that octroi should be abolished and suggested that one or more alternatives may be suggested to compensate the local bodies. Accordingly, this is being worked out at a higher level.

The financial implication of the abolition of octroi on the resources of the local bodies cannot be taken lightly in view of the fact that octroi accounts for a lion's share in the total tax revenue of most of these local bodies. If the local bodies are to perform the functions which they are expected to perform, they have obviously to be compensated for the loss of their revenue in case the octroi is abolished.

The abolition of octroi may create another socio-economic problem, *i.e.*, re-deploying the staff engaged in its collection. It is estimated that there are 3,000 and 1,000 octroi nakas in Uttar Pradesh and Maharashtra respectively and the abolition of these Nakas may render the staff surplus thus causing many human problems.

CONCLUSION

In any case, whether octroi is abolished or not, the Central Government and the State Governments must see that local bodies do not suffer any further financial loss as they are already financially weak. The local bodies recently, because of the pace of the rapid urbanization, have assumed added responsibility like water supply, sewerage disposal, mechanical compost plant, etc., which require more and more funds. The local bodies have to be compensated

through financial assistance from the State Governments. Besides, the local bodies may also be allowed to enter into remunerative enterprises so that they can improve their financial position.

From what has been stated it is clear that the institution of octroi cannot be done away with without making proper substitute arrangement for raising the fund for local bodies. It is not quite sometime that the matter has been discussed at different levels but no viable solution has yet come up. It may only be suggested that the substitute for octroi should be envisaged within the existing mechanism available and functioning. To create another organization for the purpose will not be desirable.



Should Octroi be Abolished ?

B.H. PRABHAVALKAR

OCTROI as a tax system exists in our country almost from time immemorial under one nomenclature or the other. A tax on imports or exports of goods into or from a specified area was levied and collected at the city gates during the Maurya Dynasty, according to the 'Arthashastra' of Chanakya. It gives a schedule of dutiable articles and also says that the rate of this tax was 20 per cent.

During Moghul rule, octroi was known as 'Chungi' which means 'handful' and it was levied by the Government at $2\frac{1}{2}$ per cent *ad valorem*, approximately.

It is, however, not known as to when and how this tax acquired the designation of octroi. Octroi is derived from the French word 'octroyer' meaning thereby to grant or authorise and denotes duties levied on goods entering a town or city.

Octroi was originally in the nature of town and market duties levied on goods brought into the city for the purpose of sale.

HISTORICAL BACKGROUND

Although octroi was all along an important source of government revenue, it seems that it has had a chequered history having been required to pass through various vicissitudes. During the rule of East India Company, it was a central revenue and its levy was regulated under Regulation V of 1805.

The system of octroi has inherently certain oppressive characteristics which normally come to the fore when its administration becomes slack. It was in 1828 that the then Governor-General, Lord Bentinck appointed Sir Trevelyan to enquire into the obnoxious features of octroi and the consequent situation brought about by its levy. Sir Trevelyan is reported to have expressed a view that many evils were associated with octroi which were on the increase and trade was stifled on account of its imposition.

It would thus be seen that levy of octroi evoked protests even as early as 1828 when the East India Company, was ruling in India. Later on, Sir Metcalfe ordered abolition of custom duties from Bengal followed by octroi and transit duties which developed as a part of the system. In 1842 octroi came to be abolished from Sind and Madras also and attempts were made to impose

in its place, direct taxes for local use, such as house tax which, however, met with such stiff popular opposition that Government had to permit levy of indirect taxes under the Act XXVI of 1850.

Thus octroi reappeared on the scene and got a fresh lease of life, subject, however, to certain regulations. But it seems that the so-called evils of octroi at that time arose mainly out of its maladministration and the excesses committed by the officials concerned. The other impact of octroi was said to be that it stifled the internal trade but this applied to the custom duties also, which came therefore to be abolished in Bengal as stated above. Octroi was recognized to be very effective for raising money but in 1903, as increase in octroi rates particularly in respect of necessities of life aroused protests, the Government issued orders to reduce the rates and to increase the rates on luxury articles.

The protests against octroi so far were not so serious as to warrant consideration of its abolition but the situation every time was brought under control and remedied as the case may be by introduction of appropriate regulatory measures.

A little later, U.P. Municipal Taxation Committee came to be appointed in 1908. In the view of this Committee, "octroi duties and terminal taxes in the form in which they are levied in India offend against all the canons of taxation" and "octroi was undesirable on many grounds as a source of municipal revenue and that it should be abolished at almost any cost." The Committee could not however find a substitute which could yield adequate revenue.

The Government of India, on the basis of practical experience and the unanimous view against the octroi system agreed to the imposition of terminal taxes which were less burdensome on through trade and free from the evil of problematic refund of octroi. Thus octroi recovered a set back.

With the inauguration of Montagu-Chemsford Reforms of 1917, powers of taxation vesting till then with the Central Government, were partially decentralized and certain revenue sources were placed at the disposal of the Provincial Governments and they were specified in the Scheduled Taxes Rules. Octroi formed item 7 of the schedule 2 and thus became legitimately a source of municipal revenue.

EVILS OF OCTROI SYSTEM

The system of octroi was critically examined by several committees and commissions appointed by the Government of India from time to time since 1924 as under :

- (1) The Indian Taxation Enquiry Committee (1924).
- (2) The Local Finance Enquiry Committee (1949).
- (3) The Taxation Enquiry Commission (1953).
- (4) The Committee of Ministers constituted by the Central Council of Local Self-Government (1963).

- (5) Committee on Transport Policy and Coordination (1966).
- (6) Rural Urban Relationship Committee (1966).
- (7) Road Transport Taxation Enquiry Committee (1965).

All these committees in their respective reports have highlighted the defects inherent in the system of octroi and suggested either adoption of measures to improve the system or to abolish the octroi outright. Very few of them however have succeeded in recommending a suitable alternative source of revenue for local bodies. It is considered necessary to sum up here the common defects or obnoxious features as they are called of octroi pointed out by these committees:

COMMENTS ON DEFECTS OF OCTROI

Obnoxious features of octroi system :

- (1) It breeds malpractices such as under-assessments, harassments and corruption.
- (2) It encourages evasion in payment of the tax due.
- (3) It stifles trade and commerce.
- (4) It retards industrial development.
- (5) It affects economy particularly rural economy.
- (6) It obstructs smooth and speedy flow of road transport.

The first two defects enumerated above arise out of maladministration of octroi on the part of the local bodies. The evasion of octroi is also due to underinvoicing or production of spurious documents or false declaration of goods before the octroi staff on the part of the importers of goods, coupled with their possible collusion with the octroi staff.

However, these malpractices are not exclusive to octroi and they are present in other tax systems also though their scale may differ from place to place and tax to tax. But they can be set right by either streamlining the procedures and by introducing appropriate administrative measures. The study group on octroi appointed by the Government of Maharashtra have observed in its report (1970): "Evasion of the tax in respect of the Municipal Corporations appears to be negligible compared to the income derived from octroi—this may be ascribed to fool proof legislation, well knit organization for administration of the levy and deterrents provided for the offenders." No evidence is available to assess the extent of leakage with any amount of certainty and it is more or less a guess work.

The so-called problematic refund of octroi can be done away with by modifying the rules and other administrative arrangements. The collection of octroi on goods in transit can be discontinued wherever it is in practice by issuing a transit pass and ensuring safe and quick passage of goods out of municipal limits. In fact this procedure is introduced and followed by several

municipalities, thus doing away with the payment of refund. Refund is also paid in respect of goods brought within the municipal limits for storage and subsequent export, on which octroi is collected, subject to certain conditions and compliance with the procedure laid down. It is contended this causes delays, harassment and malpractices. If these evils are to be avoided, corrective measures can be taken and one of them is to have bonded warehouses where goods earmarked for export can be temporarily stored, without payment of octroi at the time of their entry. In fact though octroi rules do provide for construction of such godowns, no concrete steps have been taken, of course with certain exceptions, to implement the provision.

In any case, these bad features of octroi system which are due to procedural and administrative shortcomings can be rectified and are not so serious as to warrant so extreme a step as abolition of octroi.

The deleterious effects of octroi on trade, commerce and economy are said to be universal and levy of octroi on diverse articles and at different rates by different local bodies gives rise to unequal incidence and in the process creates unfavourable conditions for promotion of trade and commerce. Besides, the movement of goods is obstructed due to several octroi barriers on the way, thus causing delays in conveyance of goods. But it is extremely difficult to say how far the incidence of octroi adversely affects the trade and commerce. Octroi is an indirect tax and real incidence falls on the general public. There are several other indirect taxes such as custom duties, excise duties, sales tax, etc., whose incidence is much more heavier than that of octroi and the procedures are also cumbersome and sometimes time consuming. In the process harassment cannot be ruled out. If these taxes cannot affect trade and commerce, it is rather difficult to understand why octroi is singled out. It is true that octroi is not levied by one central authority but levied by several local authorities who perhaps follow different rules and adopt different rates for the levy. Octroi is an ancient tax and has continued to exist over the centuries but it cannot be said that the trade and commerce have not flourished during the period.

Let us now see how and to what extent, octroi creates adverse effects on rural economy. "By obstructing free movement of agricultural produce and adding to its cost of transportation, octroi depresses the economic capacity of the agriculturist." If the agricultural goods have to be taken to market, their conveyance from rural areas is unavoidable and so the cost of transportation. But the cost is usually passed on to the consumers in the last analysis along with the incidence of octroi. It is contended that the cumulative burden of these costs deprives the agriculturist of his profits. Now the Government's policy has been to eliminate the middlemen and to set up marketing cooperative societies to whom the agriculturists have to sell their produce, thus ensuring a fair price for the producers. The new situation may relieve the rural economy from the undesirable effects of octroi. This aspect needs to be considered in details.

The most serious charge commonly made against octroi is that it impedes quick movement of vehicles carrying dutiable goods, by creating several barriers on the way to their destination and causing thereby inordinate delays. The Road Transport Enquiry Committee have observed in their report that the detention time of trucks at octroi and other checkpoints was very high; it varied from 20 to 80 per cent of the trucks' journey time. There are about 5000 such barriers throughout the country. On rough estimate, the time lost by the trucks at these checkpoints comes to a colossal figure of 5,000 trucks hours per day. In the event of octroi abolition, it is estimated that 10 per cent additional transport capacity will be available. Road transport roughly accounts for 35 per cent of the total haulage and the removal of detention will facilitate sizeable reduction in the transport operational cost as in the view of the Road Transport Taxation Enquiry Committee the loss on account of detention of vehicles at the octroi barriers, in terms of money, "comes to Rs. 8.2 crores per annum in case of transit traffic only." Moreover, it is pleaded that long detentions and consequent delay in taking goods to their destination has a deleterious effect on the overall economy.

All goods subjected to octroi are not carried by road transport as stated above. The detentions at the octroi barriers are due mainly to: (1) procedural delays, (2) inefficiency of the concerned staff, (3) lack of administrative controls, and (4) inability for speedy compliance with the procedural requirements by the importers or their agents due to want of relevant documents, submission of false documents and under-declarations, break down of vehicles and want of money for payment of octroi, etc.

It seems that the charge in this behalf is many times exaggerated. The octroi staff or the system is not wholly responsible for this situation. There are other factors as stated above which also contribute to the detentions. It appears that no systematic study has been yet done to locate the causes of detentions, to find out the actual extent thereof and to apportion the responsibility among the various causes thus located.

Some such study was done a few years back in Bombay by a Committee consisting of three Government officials including the then Municipal Commissioner of the Municipal Corporation of Greater Bombay, as there were complaints alleging detentions at the octroi road barriers. The Committee, on examination, came to the conclusion that the trucks were not required to wait for more than 15 minutes for clearance except where complications arose.

It is possible that detentions might be negligible in the case of Municipal Corporations and that the position is different so far as small municipalities are concerned. But it can be seen that with suitable modification in the octroi rules and the procedures connected therewith the delays can be minimized to a tolerable extent. Detentions cannot however be totally eliminated. It appears that no serious and purposeful efforts have been made to introduce measures to minimize the delays and detentions and also to see to it that they are

enforced with an iron hand. On the contrary, the tendency has been to take them for granted and to depreciate octroi on that account.

Even presuming delays do exist, as stated above, according to the Indian Merchants' Chamber, the road transport accounts for 35 per cent of the total haulage, which means 65 per cent of the haulage is accounted for by other modes of transport against which there are no complaints for delays or detentions. In the circumstances the truth of the charge needs to be verified by a deep probe and the causes of delays and detentions have to be removed to the best extent possible before a decision is taken to abolish octroi or otherwise.

GOOD POINTS OF OCTROI

Most of the committees have not condemned octroi wholesale. They recognized the merits of octroi and have therefore cautioned against any haste in abolition thereof. They have also, on the same grounds, not been able to recommend any suitable alternative source of revenue to local bodies. The principal merits of octroi are as under:

- (1) Sanction of traditional use is the chief reason of popularity of octroi. People are accustomed to it for over centuries.
- (2) It is an indirect tax and its incidence can therefore be shifted.
- (3) It is broadbased as the burden is diffused over the entire population.
- (4) It is a lucrative source of local revenue.

On an average, proceeds from octroi form a large portion of total revenue of local bodies between 40 per cent to even 80 per cent according to the size of the local body. The Municipal Finance Commission appointed by the Government of Maharashtra in their report submitted in 1974 have pointed out that octroi gives on average, 41 per cent of the total revenue of municipalities in Maharashtra. Octroi is thus a backbone of local revenue.

(5) The income from octroi is elastic and expanding. The average increase in the octroi income per year comes to anything between 10 to 15 per cent.

(6) It has a local base in the sense that octroi is levied on only such goods which are brought into the municipal limits for use, consumption or sale therein.

TESTS FOR ALTERNATE TAX

It has been difficult to abolish octroi partly because, octroi has several merits as mentioned above and partly because, no suitable alternative could be suggested which possesses the merits of octroi and is free from its vices. Abolition of octroi is obviously not the end in itself but it is the means mainly to remove the defects of octroi and to provide the local bodies with an equally lucrative and expanding revenue source.

It is, therefore, necessary to consider the tests which must be satisfied by a new alternative tax before it replaces the age old octroi system. The tests can be :

- (1) It must be an indirect tax.
- (2) The incidence should not be higher than that of octroi.
- (3) It should be simple and economic in levy and collection.
- (4) It should not breed malpractices.
- (5) It should not jeopardise the interests of trade and commerce.
- (6) Overall economy should not be affected, particularly rural economy.
- (7) It should not create traffic bottlenecks and come in the way of smooth and quick movement of road transport.
- (8) It must satisfy the financial needs of local bodies in the same way as octroi does.
- (9) It must be at least as productive and elastic in its yield as octroi has been, if not more.

ALTERNATIVES ALREADY SUGGESTED

Some of the committees, appointed by the Government of India, as mentioned above, have suggested alternative taxes to replace octroi as under :

- (1) The Committee of Ministers (Zakaria Committee) recommended gradual abolition of octroi and its replacement by surcharge on sales tax or turn over tax.
- (2) The Rural Urban Relationship Committee (1966) in their report have suggested a levy of surcharge on sales tax in quantum not exceeding 25 per cent of the sales tax.
- (3) The Road transport Taxation Enquiry Committee have recommended the following taxes in substitution of octroi :
 - (A) Surcharge on sales tax or additional sales tax.
 - (B) Municipal sales tax.
 - (C) Municipal surcharge on sales tax.
 - (D) Municipal turn-over tax.

The committee on consideration of the relative merits of the various alternatives, have recommended that 'Municipal turn over tax' would be preferable.

- (4) The study group on octroi, appointed by the Government of Maharashtra considered all possible alternatives to octroi, and came to the conclusion that multipoint turn over tax was the best alternative tax.

Thus there is no unanimity of views in the matter of alternative tax to

replace octroi in the event of latter's abolition. In fact it is extremely difficult to replace octroi and achieve the objectives of octroi abolition. If abolition of octroi is considered on the grounds of removing road transport bottlenecks only, in order to facilitate smooth and quick movement of vehicles on roads, care has to be taken to see that the other interests, especially of trade and commerce are not jeopardised.

Though the multipoint turn over tax has some merits it has not satisfied the Indian Merchants Chamber even though it may not be opposed to abolition of octroi. The Chamber has suggested a modified scheme as under :

- (1) Octroi will be collected like purchase tax on octroiable goods. The purchase tax is required to be suitably modified.
- (2) Entries in the purchase register could be verified if necessary.
- (3) Payment of octroi amount is to be made monthly.
- (4) Assessment will be yearly with the sales tax assessment.

The importers of octroiable goods are not only the registered dealers. The assessment is to be done on the basis of returns filed by the registered dealers. This system might encourage leakage and evasion and other vices associated with them. The method of distribution of the proceeds among the local bodies has some defects in that it is based on their income in the base year. The rate of increase in the octroi income varies from local body to local body—according to increase in population and other factors. The local bodies are accustomed to have daily income from octroi which satisfies their needs of spending which facility will be lost when the alternative tax is imposed.

It would, therefore, be seen that no suitable alternative satisfying the tests enumerated above is yet available.

CONCLUSION

Two questions therefore arise before us:

- (1) Must octroi be abolished?
- (2) What is the suitable alternative tax which has all the good points of octroi and which is free from the so-called vices of octroi?

A categorical reply is difficult.

The abolition of octroi is generally opposed by local bodies. "Provincialisation of a local tax is inconsistent with the preservation of the spirit of self-government. The right of self-government is co-existent with the duty of self-taxation and the peoples' representatives must shoulder the responsibility of mobilising local resources if they want to enjoy a degree of self-government. If there can be 'no taxation without representation', the converse must also be

true." The Taxation Enquiry Commission has observed, "Where the element of responsibility is absent, assignment of a share of tax amounts merely to a grant-in-aid unspecified as to amount and unrelated to the principles usually governing grants-in-aid.

It is, therefore, considered necessary to see the repercussions that abolition of octroi may cause on the functioning of local bodies. The local bodies on the one hand are saddled with additional responsibilities of socio-economic and developmental nature and therefore to enable them to discharge those functions effectively they have to be provided with additional sources of revenue. As stated earlier, octroi is the mainstay of local revenue and if it is abolished without making available to them an alternative source possibly an independent one, it is likely that the local bodies will be rendered weak and ineffective.

Any attempt therefore to take away the taxing authority of local bodies may amount to loss of local independence. Political argument for retention of octroi is fundamentally an argument for local independence. In any case care has to be taken to see that abolition of octroi should not strike at the very roots of local self-government which is regarded as the foundation of democratic institutions at national and state levels.

Alternatively if it is convincingly proved that octroi system is beyond improvement and it cannot be freed from the vices it is said to be ridden with and further that it is responsible for causing irreparable damage to the national economy, it will have to be replaced. Again, if octroi is to be replaced whether the process of replacement should be gradual or in phases over a period, so that the switching over operation is smooth and causes least dislocation to the finances of local bodies, has to be considered in proper perspective.

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Is there a Case for Abolition of Octroi?

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THE main arguments against octroi are: (1) that it is inequitable as its incidence is regressive, (2) it operates adversely on trade, commerce, industry and agriculture, (3) it creates artificial barriers and thereby impedes growth of trade and commerce, (4) and lastly its cost of collection is high and there is evasion and corruption in its administration. It is proposed here to examine some of these arguments in detail in the context of local bodies of Gujarat.

INCIDENCE OF OCTROI

Octroi being an indirect tax, levied on entry of goods into local area for consumption, use or sale is presumably shifted forward to the consumers of the products. To the extent that this assumption is realistic, the tax reduces real income in relation to expenditure on the taxed commodities. There is wide agreement amongst economists that any tax burdens that may be said to fall on consumers in general are regressive. In the case of Ahmedabad Municipal Corporation it is estimated that out of the total yield of octroi, 31.3 per cent is the income from the octroi on essential commodities.¹ In the case of 41 municipalities (there are in all 52 municipalities) in Gujarat the octroi on necessities of life contributed 40 per cent in the total collection in 1968-69 and in the case of 46 Nagar Panchayats which levy octroi, octroi on the necessities of life contributed 45 per cent of the total collection in 1968-69.

It is quite clear that, as the distribution of the burden is regressive the case for octroi on equity ground seems to be very weak. However, it needs to be noted that the regressive nature may be corrected to some extent if essential commodities and necessities upon which it is imposed are lightly taxed or are exempted altogether from its jurisdiction. Empirical studies over the last decade suggests that a commodity tax system with the exemption of food

¹Mahesh Bhatt and M.S. Trivedi, *Metropolitan Finance in a Developing Economy: Ahmedabad Municipal Corporation—A Case Study*, Balgovind Prakashan, Ahmedabad.

item is more or less proportional in most income ranges.² Luxury consumption can be regarded as acceptable alternative as a proxy measure of income and wealth. In fact all consumption over bare subsistence may be regarded as an indicator of some ability to pay.

IMPORTANCE OF OCTROI

Further, in any consideration of equity it is important to take into account the benefits received by the common citizens from the provision of civic amenities such as communications, housing, schools, water supply, sewerage, preventive and curative health, etc. In the absence of octroi or its equal yield substitute if income of the local bodies decline some of the essential civic amenities benefiting low-income citizens may have to be curtailed. To the extent that octroi allow the raising of more money than others, they increase the potential contribution of the local bodies toward improving basic civic amenities. The fact that gap between the desired level of income required by urban local bodies and the current income, as estimated by the Committee on Augmentation of Financial Resources of Urban Local Bodies (1962) has been generally smaller in the case of states where octroi is predominant, supports the above contention that in the absence of such elastic and significant source of income not only local bodies will lose whatever financial autonomy they enjoy, but they will not be able to maintain the standard of basic civic amenities. Table 1 clearly shows that with the exception of Jammu and Kashmir, Rajasthan and Madras, the gap between the required (desirable) income and the present income is smaller, in the case of states where octroi is a predominant source of income. The most significant merit of octroi is its ability to raise much more revenue than would be politically, economically, and administratively feasible with any other local taxes.

This should be clear from the fact that octroi constitutes a major source of income for the local bodies in those states where a system of octroi is in existence. The importance of octroi in the finances of the main cities of the country and in the case of Gujarat is shown in Table 2 and 3. In the state of Gujarat octroi as a percentage of tax revenue of all the local bodies constituted 54.5 per cent and as a percentage of the total income it was 38.4 per cent in 1969-70. In fact in the case of municipalities and Nagar Panchayats taken as a whole the contribution of octroi in total tax-revenue is more than 66 per cent. Again in the case of many municipalities and Nagar Panchayats the contribution exceeds more than 80 per cent. Not only octroi constitute an important source of income of local bodies it is a growing source also. In the case of Gujarat State octroi income of the three municipal corporations which was Rs. 250.17 lakhs in 1961-62 increased to Rs. 717.12 lakhs in 1969-70.

²See, D.G. Davies, (i) "An Empirical Test of Sales Tax Regressivity", *Journal of Political Economy*, 1954.

(ii) "Progressiveness in Sales Tax in Relation to Various Income Bases", *American Economic Review*, 1960.

Table 1
PERCENTAGE OF PRESENT TOTAL INCOME OF LOCAL BODIES TO ESTIMATED TOTAL AMOUNT REQUIRED BY URBAN LOCAL BODIES FOR VARIOUS MUNICIPAL SERVICES

<i>States</i>	<i>Desired level of Revenue (Rs. crores)</i>	<i>Present Income 1960-61 (Rs. crores)</i>	<i>(3) as % of (2)</i>
(1)	(2)	(3)	(4)
Andhra Pradesh	14.37	5.83	40.37
Assam	1.82	0.74	40.66
Bihar	8.21	3.43	41.78
Gujarat	14.74	10.70	72.59
Jammu & Kashmir	1.64	0.40	24.39
Kerala	4.64	1.45	31.25
Madhya Pradesh	10.87	5.40	49.68
Madras	18.58	11.85	63.78
Maharashtra	36.80	29.10	79.08
Mysore	13.53	6.99	51.66
Orissa	2.44	0.70	28.69
Punjab	9.95	6.94	69.75
Rajasthan	8.71	2.46	28.24
Uttar Pradesh	29.15	14.61	50.01
West Bengal	25.98	11.23	43.23
All India including Delhi	211.28	120.20	56.89

Table 2

TAX REVENUE, TOTAL INCOME, OCTROI INCOME AND COST OF COLLECTION IN RESPECT OF THE LOCAL BODIES IN GUJARAT STATE FOR THE YEAR 1969-70

<i>Local Bodies</i>	<i>Total Income</i>		<i>Gross Octroi income</i>	<i>Cost of collection of octroi</i>	<i>Octroi income as %</i>	<i>Octroi as % to total income</i>	<i>Cost of collection as % to Octroi income</i>
	<i>Tax Revenue</i>	<i>Total</i>					
A. Municipal Corporations	130414	164539	60989	2382	46.8	37.1	3.9
1. Ahmedabad	88704	108430	38432	1371	43.3	35.4	3.6
2. Baroda	21122	31623	10342	484	49.0	32.7	4.7
3. Surat	20588	24486	12215	527	59.3	49.9	4.3
B. Municipalities	63859	105266	42404	4784	66.4	40.3	11.3
C. Nagar Panchayats	11890	20497	7945	1419	66.8	38.8	17.9

SOURCE : Report of the Octroi Inquiry Committee, 1970 (Gujarat).

Table 3
STATEMENT SHOWING THE TOTAL TAX INCOME AND TOTAL INCOME
FROM OCTROI DUTY OF MUNICIPALITY OF THE MAIN CITIES OF THE
COUNTRY

Name of the city		(Rupees in lakhs)	
		Year	
		1960-61	1963-64
Ahmedabad	Total	348.51	472.44
	Octroi	128.68 (37.8)	172.40 (36.5)
Gwalior (M.P.)	Total	21.26	23.00
	Octroi	16.19 (76.2)	17.00 (73.9)
Indore (M.P.)	Total	57.04	78.75
	Octroi	40.85 (71.6)	60.18 (76.4)
Jabalpur (M.P.)	Total	41.13	58.73
	Octroi	30.05 (73.2)	44.31 (75.4)
Bombay	Total	1401.08	2033.52
	Octroi	123.22 (8.8)	137.10 (6.7)
Nagpur	Total	122.95	151.22
	Octroi	69.68 (56.7)	79.96 (52.9)
Poona	Total	—	166.61
	Octroi	—	87.18 (52.3)
Sholapur	Total	—	71.58
	Octroi	—	37.22 (52.00)
Bangalore	Total	139.19	211.11
	Octroi	47.22 (38.9)	94.25 (41.6)
Dharwar	Total	—	53.15
	Octroi	—	26.94 (50.7)
Agra	Total	47.60	53.86
	Octroi	0.82 (1.7)	1.00 (1.9)
Allahabad	Total	47.92	57.83
	Octroi	23.08 (48.2)	28.24 (8.8)
Lucknow	Total	63.16	81.36
	Octroi	0.68 (1.1)	0.85 (1.04)
Varanasi	Total	54.96	72.56
	Octroi	34.47 (62.7)	46.08 (63.5)

NOTE: In Calcutta, Madras and Delhi there is no Octroi duty.
(Figures in brackets represent percentages).

This means during this period it registered an increase of about 286 per cent giving an average annual rate of growth of about 36 per cent. Similarly in the case of municipalities in the Gujarat State, octroi income which was Rs. 206.34 lakhs increased to Rs. 434.78 lakhs. *i.e.*, to about 213 per cent giving an average annual rate of growth of about 14 per cent. From what has been mentioned so far, it will be clear that octroi, constitute a very significant and elastic source of income of the local bodies in Gujarat and perhaps the same is the case with the local bodies of the states where octroi is levied. It was this productivity and elasticity of the octroi levy which prevented many committees and commissions which examined the problems of local finance to recommend its outright abolition. The Local Finance Enquiry Committee (1951) thought that octroi was from the point of view of productivity and elasticity, a very sound financial proposition. Hence, the committee recommended octroi on practical grounds. Similarly the Taxation Enquiry Commission (1953-54) was of the opinion that it is not practicable to envisage the wholesale abolition of octroi. The Committee on Augmentation of Financial Resources (1963) also accepted the impracticability of outright abolition of octroi. The Rural Urban Relationship Committee (1966), held that in view of the substantial income from octroi, it was difficult to recommend its total abolition. The Local Self Government Committee, Bombay (1939) after careful scrutiny of the pros and cons came to the conclusion that with all its defects and objections against octroi it cannot be dispensed with for a long time to come. The Committee on Transport Policy and Coordination (1969) and the Road Transport Taxation Enquiry Committee (1967) have strongly recommended the abolition of octroi. Both these Committees' approach was obviously influenced from the point of their main concern with the Transport Policy and hence like the earlier Committees which studied the whole problem of local finance more comprehensively they were not able to appreciate fully the implications of their suggestion to abolish octroi. We have already examined the equity arguments against octroi. Other argument about the adverse impact of octroi on the growth of trade, commerce, industrial activity and agriculture needs to be examined closely. It is important to note that the actual or potential growth of trade, commerce, industrial activity and agriculture depends on several factors and it is extremely difficult in practice to isolate particular factor out of several factors that hold it responsible for growth or retardation. The overall effects of the octroi on the economic activities are not likely to be different than those of any other indirect taxes levied in the country. And there is almost wide agreement amongst the public finance economists that indirect taxes have relatively less adverse effects on capital formation than the direct taxes.³

³See, (1) John F. Due, *Indirect Taxation in Developing Economies*, The John Hopkins Press, 1970.

(2) The Brookings Institution, *The Role of Direct and Indirect Taxes in the Federal Revenue System*.

A CASE FOR RETENTION

There is no adequate evidence to prove that octroi has adversely affected the trade/commerce, industry, etc. If the total turnover, the number of traders, registered factories and shops and establishments are any indicator of the growth of trade/commerce, and industry they prove contrary. For example, the total gross turnover in Gujarat in 1967-68 was of Rs. 2782.89 crores. The gross octroi revenue during that year was only Rs. 9.62 crores. Thus in the context of the gross turnover, the octroi is not very significant.

In Gujarat the bulk of the octroi collection comes from municipal corporations and the municipal areas which are urbanized and more industrialized. It is also at these centres that the major part of trade and commercial activity is concentrated. It can be seen from Table 4 that number of traders, registered factories, shop and establishment in the three municipal corporation areas have increased substantially during 1961-62 to 1970.

Table 4

Name of the Corporation	No. of traders registered under Sales Tax Act		No. of registered factories		Shops and establishments	
	1961-62	1967-68	1960	1969	1964	1970
Ahmedabad	7113	13814	815	1010	32087	51646
Baroda	1616	3381	154	249	8807	14781
Surat	3912	6133	512	549	10113	20614

As stated earlier octroi income of these three Municipal Corporations in the state has also increased to 286 per cent, *i.e.*, at an average annual rate of growth of about 36 per cent. This only proves that inspite of the substantial increase in the octroi, the volume of trade, commerce and industry has not been adversely affected. As compared with the rates of excise duties and sales tax in the country the rates of octroi are very nominal. For example, construction and building trade constitutes one of the largest enterprise in our urban cities.⁴ The component of octroi in the whole cost of construction of Rs. 100

⁴According to one estimate the total employment, direct and indirect, in the building trade in Bombay city is as high as 1,50,000. Taking 5 persons dependent on each person employed in the building trade, almost 12 to 15 per cent of the whole of the population in the city is dependent for their livelihood on the building activity which from this consideration can be put as the second largest enterprise in the city: See, B.G. Deshmukh, Municipal Commissioner for Greater Bombay, "Incidence of Taxation imposed by Local Bodies on Building Materials in Western Region of India."

is Rs. 1.12 *i.e.*, 1.12 per cent which is comparatively insignificantly small to act as a deterrent to the building activity. It is true that octroi creates obstacles to some extent in the free flow of goods from one state to another and causes delay in the transit. The solution of this problem is to be found in the exemption of inter-state traffic from the jurisdiction of octroi. The octroi is criticized on the ground that its cost of collection is high and there is evasion and corruption in its administration. This criticism can be levied against any tax in our country. The fact is that the cost of collection of octroi is not very high as compared with the cost of collection of many taxes imposed by states and Central Government. This will be obvious from the following table:

Table 5
COST OF COLLECTION AS PER CENT OF GROSS OCTROI REVENUE

	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70
1. Municipal Corpn.	3.76	3.76	4.27	4.64	3.70	3.77	3.32
2. Municipalities	10.13	10.10	11.03	11.32	11.99	10.30	10.88
3. Nagar Panchayats	17.51	17.10	18.76	17.90	18.64	17.51	16.35
4. Gram Panchayats	13.34	13.10	13.36	12.94	13.48	12.44	12.01
Total	7.66	7.75	8.31	8.61	7.91	7.58	7.19

The cost of collection in respect of municipalities and Gram Panchayats in Gujarat during the period 1963-64 to 1968-69 has remained around 10 to 12 per cent. This is much below the ceiling limit of 25 per cent (as per Government Orders vide G.R. G.D. No. 1297 dated 11th April, 1882). Further there is scope for simplifying the method of collection so as to reduce this cost.

CONCLUSION

It is a fact that there is evasion and corruption in the administration of octroi. The corruption can be reduced by appointing better paid and well-trained staff which in turn help to prevent evasion. Moreover, it is important to note that octroi system itself helps to check the evasion of taxes like sales tax. Cases have come to the notice of the Ahmedabad Municipal Corporation where even though octroi is collected, it is not reported to the Sales Tax Authority and, hence, for the purpose of Sales Tax Collection, etc., the concerned authorities check the octroi collection records to catch such evaders.

In conclusion we may maintain that arguments against octroi need not worry us too much, since the same arguments that we have considered in

relation to octroi could be used similarly against taxes of other types. Thus if we consider the matter pragmatically, we must start from the fact that octroi does yield a substantial amount of revenue, it has been accepted, it does not seem to have done very much harm and we do employ many other taxes that have equally less claim to rationality.

Annexure

RATES AND YIELD FROM OCTROI DUTIES
(Ahmedabad Municipal Corporation) 1966-67

<i>Sr. No.</i>	<i>The description of goods</i>	<i>Rates</i>	<i>Total Income (In Rs. '000)</i>
(1)	(2)	(3)	(4)
		Rs. P.	
1.	All cereals and pulses	0.32 per 100 kg.	8.17
2.	Maize	0.45 per 100 kg.	1.58
3.	Sugar	1.34 per 100 kg.	5.57
4.	Gur	0.54 per 100 kg.	3.10
5.	Oils not elsewhere classified	1.20 per 100 kg.	4.41
6.	Ghee and Hydrogenated oils	2.60 per 100 kg.	2.00
7.	Tea, Coffee seeds, etc.	1.30 per 100 kg.	5.03
8.	Dry chillies, etc.	0.65 per 100 kg.	1.49
	Sub Total		31.35
9.	Cotton Textiles, Towels, etc.	0.85 per 100 Rs.	37.12
10.	Readymade Cotton garments, etc.	0.85 per 100 kg.	1.16
11.	Readymade Silk Garments, etc.	1.75 per 100 kg.	3.00
12.	Cotton Yarn	2.70 per 100 kg.	1.24
13.	Artificial Silk prices, etc.	2.00 per 100 Rs.	9.47
	Sub Total		51.99
14.	Iron and Steel (N.E.C.)	7.00 Rs. per tonne	7.26
15.	Pig Iron and Iron Scrap	4.00 Rs. per tonne	1.91
16.	Greet, Rubber Stone, etc.	0.10 per 100 kg.	1.66
17.	Cement, etc.	1.75 per 100 Rs.	4.75
18.	Planks, logs, etc.	1.00 per 100 Rs.	2.60
19.	Sanitary fittings, cast Iron, etc.	2.00 per 100 Rs.	2.37
20.	Oil Paints, etc.	2.00 per 100 Rs.	3.15
	Sub-Total		23.70
21.	Food Stuff, Pickles, etc.	3.00 per 100 Rs.	2.51
22.	Cigar and Cigarettes	4.00 per 100 Rs.	3.18
23.	Toilet Articles, etc.	4.00 per 100 Rs.	1.14
24.	Coal	4.00 per metric tonne	7.20
25.	Bidis	4.00 per 100 kg.	1.09
26.	Drugs, etc.	0.85 per 100 Rs.	4.97
27.	Soap and Chemical detergents	1.40 per 100 Rs.	1.99
28.	Cutlary Articles, etc.	1.75 per 100 Rs.	2.58

(1)	(2)	(3)	(4)
29. Glass, Glassware, Chinaware, etc.	2.00 per 100 Rs.		1.51
Sub-Total			26.97
30. Machinery, its components, etc.	1.35 per 100 Rs.		19.31
31. Electric Machinery its appliances, etc.	1.35 per 100 Rs.		11.49
32. Millgin Stores, etc.	1.35 per 100 Rs.		5.48
33. Colours and Dies, etc.	1.35 per 100 Rs.		13.76
34. All kinds of chemicals, etc.	1.35 per 100 Rs.		12.62
35. All kinds of starch, etc.	1.35 per 100 Rs.		5.25
36. Craft Papers, Straw boards, etc.	1.35 per 100 Rs.		3.44
37. Hompstings aid Strings, etc.	1.35 per 100 Rs.		1.87
38. All kinds of leathers, etc.	1.35 per 100 Rs.		9.36
39. Hardware, etc.	1.35 per 100 Rs.		4.47
40. All kind of minerals, etc.	1.35 per 100 Rs.		2.52
41. Iron and Steel furniture, etc.	1.35 per 100 Rs.		1.32
42. All kinds of Motor vehicles, etc.	2.00 per 100 Rs.		17.92
43. All kinds of Coke, Hard Coke, etc.	1.20 per metric tonne		7.86
44. Motor Spirit, Petrol, etc.	0.15 per 10 litre		6.08
45. Kerosene	0.07 per 10 litre		3.20
46. Cotton with and without seed	0.40 per 100 Rs.		14.23
47. Foreign Cotton with and without seed	0.40 per 100 Rs.		4.72
Sub-Total			1,44.90
48. Refrigerators, water coolers, etc.	3.50 per 100 Rs.		2.00
49. Stationeries, etc.	0.60 per 100 Rs.		2.19
50. Nonferrous metal, etc.	2.00 per 100 kg.		1.23
51. Items not elsewhere classified	1.00 per 100 kg.		4.88
Sub-Total			10.30
Others			17.34
Grand Total			3,06.55

SOURCE: Ahmedabad Municipal Corporation : Annual Administrative Report 1966-67.

Abolition of Octroi and Compensation to the Local Authorities

ABHIJIT DATTA

THE question of abolition of octroi and similar checkposts has assumed importance in the wake of the introduction of a national permit system for road transport. Several Central and State committees have, in the past, examined the problem; but there seems to be an absence of consensus about the substitute levy and the manner in which the local authorities are to be compensated. We would attempt to summarize the viewpoints at the Central, State and local levels and then try to suggest the modalities of octroi substitution which appear to be both feasible and equitable.

ALTERNATIVE SUGGESTIONS

Central Level

The Zakaria Committee of Ministers on the Augmentation of Financial Resources of Urban Local Bodies (1965) suggested that octroi "be gradually replaced either by a turnover tax or by a surcharge on sales tax or by some other method which may cover the sphere of taxation which is being exploited for the purpose of levying octroi, but would be free from the evils of octroi system". The Rural-Urban Relationship (Jain) Committee (1966) recommended a levy of surcharge on sales tax in quantum not exceeding 25 per cent of the sales tax and if there was a deficit, it should be made up by other means.

The Report of the Road Transport Taxation Enquiry (Keskar) Committee on Octroi and other checkposts (1967) recommended basically three alternatives: (i) surcharge on sales tax or additional sales tax, (ii) municipal sales tax or municipal surcharge on sales tax, and (iii) municipal turnover tax. Although the committee thought that the State Governments would be in the best position to judge the suitability of these alternatives, due to differing conditions prevailing in different States, its own preference was in favour of the municipal turnover tax "as the total burden to be borne by the community will be much less than that of octroi at present, and will have the additional advantage of not looking like double taxation as might be the case in respect

of municipal sales tax or surcharge on sales tax." The quantum of the tax would not exceed 2 per cent of the gross turnover to compensate the local bodies the loss due to abolition of octroi. The assessment of the tax may be done by the state sales tax department on the basis of returns submitted to it.

State Level

As early as 1959, an attempt was made in Rajasthan to introduce a turnover tax at a rate not exceeding 2 per cent, subject to the limit of 25 per cent of the existing rates of sales tax, by inserting a new section in the Rajasthan Sales Tax Act, 1954 (Section 56). It was also contemplated to approach the Central Government for permission to levy turnover tax on items subjected to the Central Sales Tax Act, 1956.

The Maharashtra (Wankhede) Report of the Study Group on Octroi (1970) considered the Keskar Committee's suggestions and favoured a system of multi-point additional sales tax to be distributed as follows: (i) 1.5 per cent to be retained by the State Government as collection charges, (ii) the local bodies presently levying octroi will be guaranteed the amount of gross collection on the base year, (iii) the village panchayats presently not levying octroi will be given 6.52 per cent of the gross collection, to be distributed in proportion to their population, and (iv) the surplus will be distributed to the local bodies presently levying octroi, in proportion to their net collection in the base year. The Keskar suggestion for a municipal sales tax, a municipal surcharge on sales tax and a municipal turnover tax did not find favour with the Wankhede Committee on the grounds that: (a) this will lead to variations in the rate of tax among the municipalities (within the prescribed minimum and maximum rates), (b) cost of collection would be as high as octroi, and (c) this would not remove the anomalies inherent in the octroi system.

Similarly, the Gujarat (Odedra) Report of the Octroi Inquiry Committee (1972) thought that "the best alternative to octroi is to levy a turnover tax at differential rates, which is collected at a single point or at two points in tune with the current sales tax system." The Committee considered the imposition of the municipal sales tax, a municipal surcharge on sales tax, a municipal turnover tax and a municipal tax subject to the central sales tax and thought that: (a) it would introduce wide disparities in the rates and amount unrelated to octroi income among the municipalities, (b) it would be advantageous to the bigger urban centres as against smaller towns, (c) it would involve a lot of unnecessary administrative work for the business community, and (d) the possibility of the multiple-branch firms taking advantage of variations in the sales tax rates cannot also be ruled out. The committee, therefore, recommended that the requisite amount be raised by: (i) a turnover tax at 1 per cent on goods subject to sales tax, (ii) a turnover tax on certain goods exempt from sales tax (1 per cent) and on foodstuff ($\frac{1}{2}$ per cent), (iii) a turnover tax of 1 per cent on goods subjected to the central excise, but exempted from sales

tax (2 per cent on tobacco), and (iv) a turnover tax of $\frac{1}{2}$ per cent on goods covered by the Central sales tax. The Gujarat scheme is basically similar to the Rajasthan proposal, except that the exemption categories have also been covered.

The Odedra Committee not only provided for full compensation to the local authorities for the loss of octroi income, it also provided for: (i) gradual withdrawal of a grant to cover the cost of collection, (ii) sharing of additional revenue in proportion to the growth rate of octroi to be made applicable to the net income, and (iii) the gram panchayats and nagar panchayats not levying octroi are to be given 66 per cent of the tax revenue on the base year.

On the other hand, in Karnataka the Municipal Finance Enquiry Committee (1975) has favoured the municipal turnover tax, for replacing octroi, at 1 or 2 per cent on gross turnover to be levied by the municipalities while the other alternative levies, as suggested by the Keskar Committee, could be entrusted to the State sales tax department. However, the Committee did not work out any detailed scheme of replacing octroi in Karnataka and its implications for the States' sales tax system and the manner of adjustment in the local bodies' finances.

Recently (May, 1976) Madhya Pradesh has abolished octroi by a twin imposition of an entry tax into the State and a turn-over tax, operated by the State's sales tax department. The net proceeds of the entry tax and 60 per cent of the net proceeds of the turnover tax are credited to the 'Octroi Compensation Fund' from which the local bodies are to be compensated for the loss of octroi income. It is not clear how an entry tax, which is an impost on a commodity entering into a *local area*, could be declared a State-wide tax by the State Government.

Local Level

At the local level, the question of substitution of octroi was discussed in a conference of Municipal Presidents in Gujarat at Cambay in 1971 and its resolution contained the plea that the municipalities "should be permitted to levy some indirect taxes for increasing its revenue and for this Government should make a provision in the Act..."¹ In the same vein, the Surat Municipal Corporation suggested certain additional sources of levy for municipal corporations, like the turnover tax, which could be "levied on the production, sale and distribution of production in a city", at the Eighth Conference of Municipal Corporations held in Bombay in 1971.² This suggestion was made at the same time when the Odedra Committee was considering the question of

¹Gujarat, *Report of the Octroi Inquiry Committee* (1970), Government Press, Rajkot, 1972, Annexure 6.

²Deva Raj, "Turnover Tax and Local Authorities", *Nagarloka*, July-Sept., 1973.

abolition of octroi in Gujarat. One might also note that the three municipal corporations of Gujarat—Ahmedabad, Baroda and Surat—pleaded for exemption from the scheme of a turnover tax in replacement of octroi in Gujarat,³ apparently on the grounds that the major city governments would be at a disadvantage under the compensation plan.

A Synthesis

It appears that at the State-level the tendency is to opt for an additional multi-point or turnover tax to be levied and collected by the States' sales tax organizations and compensate the local authorities on the basis of revenue foregone on account of abolition of octroi. This system works in favour of the smaller local authorities and operates against the concept of fiscal responsibility of local government. The Keskar Committee, as also the municipal corporations would prefer a municipal turnover tax, where the local authority has a right to decide the rate (making it a local impost), within a ceiling to be prescribed by the State Government. The Keskar Committee has even suggested the collection of the additional impost by the State Government. The argument that it would unduly favour the bigger local authorities does not hold much water, as these are to be compensated at the same level of base year revenue. The implication of this is that it would really be disadvantageous for a new centre of economic activity to grow.

The other argument that it would mean unnecessary administrative work is also weak, if we assume that the State sales tax department would be responsible for its collection.

The third argument that the multiple-branch firms could manipulate their accounts is also weak because of the marginal tax advantage due to the difference between the minimum and maximum rates.

At the same time, one has to concede that if all the local authorities are to decide the additional turnover tax rates, it would create the same tax barrier—distinct from the physical checkpoints—as under the octroi system.

Since the municipal corporations in any state would account for the lion's share of octroi compensation, it might be advantageous to allow the imposition of a municipal turnover tax as an additional surcharge on the State sales tax by them. This would mitigate the difficult problem of *inter se* allocation of the net proceeds of an octroi substitution tax to the local authorities at large. This would also ensure proper fiscal planning and discipline on the part of the municipal corporations. For the remaining local authorities—urban and rural—the State Government could devise a scheme of a State surcharge on a multi-point or turnover type of sales tax, as suggested in Maharashtra and Gujarat.

CONCLUSION

Although several Central and State Committees have suggested abolition of octroi and its substitution by a different type of indirect tax, there does seem to be variations in the schemes favoured by the State governments and the major municipal corporations. It is suggested that the substitution scheme might be envisaged in two parts: one for the municipal corporations and the other for the rest of the local authorities within the State. This would ensure fiscal autonomy and flexibility on the part of the city governments which cater to the centres of commerce and industry.



Municipal Business and Land Taxes : Some Alternatives to Octroi and Terminal Taxes

G.D. SHARMA

WORKING for an alternative to octroi and terminal taxes is not simply to find out another tax which might yield the same amount of revenue as that the octroi tax yields. In fact, to work for an alternative to octroi tax is to work for solving the basic questions of local finance. These basic questions are: (1) What for a tax system is?, (2) who would bear the burden of tax?, and (3) how much revenue a tax structure is likely to yield? To answer these questions one would require to know at first the revenue requirements of the particular local government to finance a set of local services and for the management of the government. The service requirements for any local area has to be viewed further from the dynamic angle of growth and development of the area. Looking from this angle would require the planning of services in the light of changing economic and social structure. Once the planning of services for the present as well as for the future is carefully done and financial requirements for the same are clearly worked out, the question may arise as of mobilization of resources for the provision of these services. Here our question of suitable, progressive and buoyant tax structure arises. This issue at its base, as stated earlier, has further questions like—who would bear the tax burden?, how much revenue would be collected from that tax?, what would be the economic consequences of this new tax structure?, and whether this will help achieving the broad objectives of the local governments?

Before we attempt to answer any of these points we may briefly review the situation in the past. In the past the functions of the local governments have been taken as only for provision of some services for the citizens. They are, street lighting, health and sanitation, water supply, recreation, fire fighting, etc. These services have been provided in the past. Today also a large number of local governments cater only for the old traditional services. Whenever any problem of mobilization of resources came, it came in the context of new services and the development requirement of the local areas. The reason for this may be traced in the more or less exclusion of this level of government from the general movement for the economic growth and development. Our five year plans, which were designed for the development of the country did not pay much attention to the urban

development, particularly in the case of development through the local governments. Some attempts were, however, made to include this aspect in the fourth plan and an investment of 136 crores was decided to be set aside for the urban community development, research and training, construction of bridges on railway crossing, mechanization of transport for carrying night soils and refuse materials. However, by the time the plan was finalized hardly 30 lakhs were allocated for the purpose of urban development under the central sector.¹ This exclusion of local governments in planning for development in economic growth has gone against any effort for self re-orientation of local governments towards development and economic growth in the local areas. The other reason for backwardness of local governments may be due to the fact that they always function under the directives of the State governments. The State legislatures decide about their formation, functions and resource mobilization through taxation which are specified by the State legislatures.

Recently, however, some thought has been given for making the local governments development-orientated and also a search has been made for alternatives to some old taxation to meet the new revenue demands of the local governments. Regarding alternatives to octroi and terminal taxation, discussion has gone a long way. Many new taxes have been suggested from time to time. The suggestions are for municipal sales taxation on the lines of State Sales Tax, multi and single point terminal taxation and taxation on wholesalers and retailers. Some of the States have also tried to implement sales tax in the local areas. But the will to experiment with the new tax system has been very weak at all levels. A sort of shyness and hesitation regarding the introduction of new tax system, is often observed in the case of many local governments.

Here it may be mentioned that there has been some efforts for searching some alternatives to old taxation, but little efforts have been made to look into the problem of local finance in its totality.

Here while suggesting some alternatives to octroi and terminal taxes, we would assume that the functions and responsibility of the local governments have changed and are changing in the light of social and economic changes. That the local governments do not merely provide some traditional services, but they work for the development of the area which includes provision of old services and other developmental activities. For financing these functions some resources are required. And for that purpose there is a need for a progressive and buoyant new tax structure.

Before we attempt to suggest some new taxes, it may be proper to review old taxes which are used to finance the traditional services. In India mainly 3 taxes are levied. They are, namely, octroi tax, property tax, trade and

¹Government of India, *Report of Committee on Budgetary Reforms in Municipal Administration*, Ministry of Works & Housing, New Delhi, 1974, p. 35.

professional and other taxes. Among these taxes the octroi tax is a very important source of finance for the local governments. It forms more than half of the total tax revenue of the local governments. In metropolitan cities also, except for corporations, namely, Patna, Simla, Bombay and Kanpur, this tax has contributed more than half to the total tax revenue of the corporations. In these corporations, however, property tax has been an important source of finance.²

The octroi tax with all its limitations, which hardly need any recounting over here, has been accepted widely mainly because it was found to be the most easy in administration. That is why octroi tax has become very popular among municipal administrators and with the public because it was collected in the form of prices of the goods sold in the municipal area. Therefore, the burden of the tax could not be felt much by the tax payers. In the olden days when, in India, there was scarcity of educated manpower, who could be employed to administer any complicated tax system at the local level, he desire for a simplistic tax system may be considered as natural one. But since then things have change, requirements of local governments have also changed, and educated manpower who could be deployed to administer any complicated tax is available in abundance. Therefore, introduction of any new taxes, which may be even little complicated in administration, may be considered now timely.

We, therefore, suggest two types of taxes as alternatives to octroi/terminal taxes. They are Municipal Business Tax and Land tax.

MUNICIPAL BUSINESS TAX

This tax³ intends to tax wholesalers and retailers operating in the municipal area. The tax is designed to be progressive in its form. The burden of tax is expected to be on the wholesalers and the retailers.

In every municipal area some wholesalers and retailers operate. Some times industries also operate their wholesale and retail outlets in the local area. They should also be included in the general definition of wholesalers and retailers. A levy should be imposed on the gross sales of the wholesaler as well as on the gross sales of the retailers. A graduated form of rate structure may be designed to tax the big saler heavily and small saler less heavily. For example wholesalers whose value of gross sales is Rs. 20,000 to 50,000 a tax of 0.5 per cent and where the value of gross sales is 50,000 to 1 lakh a tax of 1 per cent may be levied.

A similar rate structure and grades can be formed for the retailers. A

²Government of India, *Report of Committee on Budgetary Reforms in Municipal Administration*, op. cit., p. 25.

³This tax I had called as municipal sales tax in my earlier paper on "An alternative to Octroi Tax System." Now I think it is proper to call it as Municipal Business Tax. See, G.D. Sharma, "An Alternative to Octroi Tax System", *Eastern Economist*, Budget Number—April 7, 1972, Vol. 58, No. 14, New Delhi.

hypothetical rate structure may be given as below. The calculation of assessment of tax may be worked out with the following simple method:

$$\text{Tax-amount} = \frac{\text{Value of gross sales} \times \text{tax rate}}{100}$$

GRADES AND TYPES OF DEALERS AND RATE STRUCTURE

	Grades (Rs.)	Rates
Wholesaler	20,000 to 50,000	0.5%
	50,000 to 1,00,000	1%
	1,00,000 to 5,00,000	2%
	5,00,000 and above	3%
Retailer	10,000 to 50,000	0.2%
	50,000 to 1,00,000	0.5%
	1,00,000 to 5,00,000	1%
	5,00,000 and above	0.2%

The details about the shifting of this tax and its economic consequences may be seen in my earlier paper on this tax.⁴ Here it would be sufficient to mention that because of different rate structure for the different grades of the dealers, shifting might be possible only in the event of a combination of different grades of dealers is formed which, in our view, however, may not be possible, because the interest of these two types of dealers would come into clash. Therefore, the tax is likely to be borne by the wholesalers and the retailers. The objectives of this tax is to encourage small dealers and discourage formation of a chain of large stores.

The present situation where the prices of commodities are specifically mentioned on the package of the products, shifting of this tax on the consumer because of no legal sanction for the same may be resisted. As the tax is a type of direct tax for conducting business in municipal areas, burden of it must be borne by the traders. This tax also has a great potential of resource mobilization. It also taxes the community which is not so far been heavily taxed.

THE LAND TAX

In the urban areas land is very scarce. Therefore, it is very precious. The

⁴G.D. Sharma, *op. cit.*

value of it also appreciates from time to time through the improvement and development. Value of land also appreciates, because the particular area becomes an important place for business, residential and other purposes. For mobilizing the resources and, discouraging excessive and wasteful holding of the land, a land tax in municipal area may be considered as the most proper one.

A graduated form of land tax may be designed on the basis of holding of the area. While designing a rate structure, specific consideration may also be given to the tracts of land having multi-storey buildings and where single storey buildings stand. While working out a formula, for assessment some exemption may also be given for the tracts of land used for school, recreation and hospital purposes. The tax is very simple in administration. It is very easy to assess the holding of land and value per square feet than the assessment of any property. The tax tends to discourage the excessive and wasteful holdings of the land in urban areas. This tax has been successfully tried in Australia and New Zealand. Thus the implementation of land tax might form another good substitute to the octroi tax, with the same amount of easiness in administration and with much less possibility of evasion or leakages.

The general criticism against the tax is that this goes against those possessing vacant land. Commercial properties and official buildings would enjoy saving; manufacturing properties would experience tax increase; modern homes on small inexpensive tracts would tend to benefit, while run down homes on valuable tract would be penalized.⁵

The criticism about land tax indicates some of the limitations of tax if it is not properly designed. A proper designing of tax might help overcome these limitations. If separate rate structure is designed for the tracts which have multi-storey buildings and tracts which have single storey buildings, this problem may be solved. While designing such rates it may be seen that they do not conflict with the broad policy of land utilization in urban areas. Some allowances can always be given for the rundown homes on the valuable tracts. This allowance, however, would go against the development of some of the localities in the urban area. But it might be helpful to the persons living in these rundown homes. In our view the best policy would be to acquire rundown homes and carry out the reconstruction after giving sufficient compensation or by making provision for the spaces to live in for the families in the rundown homes in the newly constructed multi-storey buildings.⁶

Since this is a direct and progressive tax and also very easy in administration, it would prove as a very good substitute for octroi and terminal taxes.

⁵Ecker-Racz, L. L., *The Politics and Economics of State and Local Finance*, Prentice Hall, Englewood Cliffs, New Jersey.

⁶This sort of practices are often noticed in cases where private construction firms acquire land.

The economic effects of the land tax may be stated as below:

On land holders: The land tax in municipal areas would not affect the poor people or the persons having small homes to live in because minimum land use for buildings may be exempted from the tax. It might effect the large land holders. The burden of tax would be heavier on the land holders who are holding the land in large quantity and also those who are living on the land in the precious areas. Generally the rich people tend to hold large tract of land, they also tend to live in the precious land areas. The land tax would, therefore, effect only the rich people. It would in turn also discourage excessive and wasteful land holding by the rich people. It would free many tracts of land which are often held by the rich people for speculative gains. That in turn would make land available, at comparatively fair prices to the many new settlers.

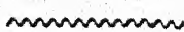
On the location of industries: It might, however, affect the location of industries in the urban areas. But a uniform rate structure throughout the State might help overcome this problem. Besides this, whenever encouragement for the location of industries in a certain local area is desired it may be proper to give some sort of tax concession for the location of new industries. Similarly, whenever it is desired that new industries should not be located in certain urban area the penalising land tax rates might help in achieving this objective.

Since the land tax is a direct and progressive type, revenue from this would also grow as and when the value of land appreciates. With the development of area the value of land is likely to appreciate and this tax would be able to mop up the part of gains due to appreciation of value of the land which goes to the land owners. This tax, therefore, may also be stated as a buoyant one.

Of course there are certain limitations of this tax system, but that can be overcome by a judicious and proper designing of the tax system.

Along with these two taxes, expenditure tax, as suggested by Prof. Kaldor for India, can also be tried at the local level. It may also be useful if, for certain services where principle of exclusion can be applied, and which are generally used by the rich people, some sort of user charge are levied. Even the full-cost pricing of such services may be considered as proper one. For it would help in the rational use of services. Since such services are hardly used by poor people, full cost pricing would not affect the poor people.

These are some of the alternatives to octroi and terminal taxes which the local governments can try for mobilization of their resources. But the more basic issue is of the reorienting the local governments in their functions, performance and their responsibilities. The resource mobilization is only one part of the total working of the local governments, though an important one.



Legal Issues in Octroi and Terminal Taxes

M. K. BALACHANDRAN

LEGAL issues in Octroi and Terminal Taxes may be better understood in the background of their legislative history. Octroi was the first in origin and was introduced as a tax payable "on the entry of goods in a local area for consumption, use or sale therein." In 1920, an optional substitute called "terminal tax" came into existence by virtue of item 8 of Schedule II of the Scheduled Tax Rules framed under Section 80A(3)(a) of the Government of India Act, 1915 as amended in 1919.¹ In the Government of India Act, 1935 this item was replaced by two items one dealing with "terminal tax" which was put in the Central List² and the other with the right to impose a tax on entry of goods into a local area which was put in the Provincial List.³ This distinction is maintained under the Constitution also where "Terminal taxes on goods or passengers carried by railway, sea or air . . ." is included in Entry 89 of the Union List. In the State List, Entry 52 provides for "Taxes on the entry of goods into a local area for consumption, use or sale therein", and Entry 56 deals with "Taxes on goods and passengers carried by road or on inland water ways."

It may be mentioned here that the term "octroi" is not used in the Constitution, even though the tax which was imposed as "octroi" is covered by Entry 52 of the State List of the Seventh Schedule to the Constitution. As in the 1935 Act, "terminal tax" is kept separate from octroi and is included in Entry 89 of the Central List.

MUNICIPAL LAW PROVISIONS

Under the Municipalities and Corporations Acts, municipalities and corporations have been given power to impose an octroi "on goods or animals

¹Item 8: "A terminal tax on goods imported into or exported from, a local area, save where such tax is first imposed in a local area in which an octroi was not levied on or before the 6th July, 1917."

²Item 58 in List I of Schedule 7 of the 1935 Act: "Terminal taxes on goods or passengers carried by railway or air; taxes on railway fares and freights."

³Item 49 in List II: "Cesses on the entry of goods into a local area for consumption, use or sale, therein."

brought within the municipality for consumption use or sale therein.”⁴ Some of the Municipal Acts also provide for the levy by the municipality of “a terminal tax on goods or animals imported into or exported from the limits of a municipality.”⁵ However, it is specifically provided under these enactments that both the octroi and the terminal taxes shall not be levied by the municipality at the same time.⁶ As has been already mentioned, under the Constitution “terminal tax” has become a central subject and as such it is not one of the taxes that can be imposed by the municipal bodies.⁷ However, under Art. 277 of the Constitution which saves existing taxes at the commencement of the Constitution, the terminal taxes which were being levied by the municipalities before the commencement of the Constitution, are allowed to be continued without adding to the items or increasing the rates.

TERMINAL TAX

The characteristic features of terminal tax have been considered by the judiciary in a number of cases, the earliest being the *Punjab Flour Mills Co. Ltd. v. Lahore Corporation*.⁸ In 1926, the municipality of Lahore imposed a terminal tax on goods calculated on the gross weight of consignments at the rates and on the articles specified in the schedule, imported into the municipality by rail or by road. In 1938, by a notification the municipality, in supersession of that tax, imposed a new tax called “octroi (without refund)” on consignments imported into the limits of the municipality. It was contended that the tax imposed was a “terminal tax” on goods carried by railway and as such was not impossible. The municipality argued, that it was a tax within the provisions of Entry 49 of List II and as such could be imposed with the previous sanction of the Provincial government under S.61(2) of the Punjab Municipalities Act.

The court held that there was a definite distinction between the type of taxes referred to as terminal taxes in Entry No. 58 of List I and that referred

⁴Section 128(1)(vii) of the U.P. Municipalities Act, 1916; Section 172(2) (b) of the U.P. Nagar Mahapalika Adhiniyam, 1959; Section 72(1)(iv) of the Bombay Municipal Boroughs Act, 1925; Section 127(i)(v) of the M.P. Municipalities Act, 1961.

⁵Section 127(1)(xvi) of the M.P. Municipalities Act, 1961; Section 128(1)(xiii) of the U.P. Municipalities Act, 1916, Section 172(2)(c) of the U.P. Nagar Mahapalika Adhiniyam, 1959; Section 66(1) of the C.P. & Berar Municipalities Act, 1922.

⁶Proviso to Section 127(1)(xvi) of the M.P. Municipalities Act, 1961; Section 128(2) of the U.P. Municipalities Act, 1916; Proviso to Section 172(2) of the Nagar Mahapalika Adhiniyam, 1959; proviso to Section 66(1) of the C.P. & Berar Municipalities Act, 1922.

⁷The power to tax in a State on the items enumerated in the State List can be exercised only by the State Legislature. Municipal bodies do not have any inherent power to impose taxes and the power to tax is expressly conferred upon them by delegation through the statute creating them. Such a tax would be valid only if it is one of the taxes that the State can impose under the Constitution.

⁸AIR 1947 FC 14. (This case was decided by the Federal Court).

to as cesses on the entry of goods into a local area in Entry No. 49 of List II. The former taxes must be "terminal" and confined to goods and passengers carried by railway or air, while in the latter case, the tax should be on the entry of goods into a definite local area and the goods should enter for the purpose of consumption, use or sale therein.

The court held that "terminal" had reference to the terminus of the railway or air, *i.e.*, the end of journey and the tax imposed was not a terminal tax but merely a cess on entry of goods into the local area within Entry 49 of List II even though it was imposed on rail borne goods entering the municipal area.

The nature of the terminal tax was again discussed in *Central India Spinning and Weaving Manufacturing Co. Ltd., v. Municipal Committee, Wardha*.⁹ In this case, the question to be decided was whether under Section 66(1)(0) of the C.P. and Berar Municipalities Act, 1922 the goods in transit could be taxed under "tax on import and export of goods." The appellants in this case transported goods from a place outside the limits of the respondent municipality to another place which was also outside the municipal limits, but the vehicles carrying the goods passed through the municipal limits. The municipality collected terminal tax on these goods on the ground that they were exported by the appellant from the limits of the respondent municipality. The appellant disputed his liability to pay terminal tax and claimed refund.

The Supreme Court held that the goods which were in transit and were merely carried across the limits of the municipality were not liable to terminal tax. Terminal tax on goods imported into or exported from the limits of the municipality was payable on goods on their journey ending within the municipal limits or commencing there from and not where the goods were merely in transit and had their terminus elsewhere. Terminal Tax leviable under the Act must have reference to some activity within the municipal area, *i.e.*, the entry for the purpose of remaining within that area or the commencement of journey from that area.

Explaining the meaning of the expressions "imported into" and "exported from" contained in the Act, the court held that "imported into" did not merely mean "bringing into", but comprised something more, *i.e.*, incorporating and mixing up of the goods with the mass of the property in the local area. Similarly the words "exported from" did not merely indicate "taking out" but would have reference to the taking out of goods which had become part and parcel of the mass of the property of the local area and would not apply to goods in transit, *i.e.*, brought into the area for the purpose of being transported out of it. The court further held that the word "terminal" must, in the context be construed as having reference to the terminus and should be read to connote the idea of the end of something connected with motion and not that of an intermediate stage of a journey.

⁹1958 SCR 1102.

OCTROI

The description of "octroi" given in Entry 52 of the State List under the Constitution is accepted as the definition of "octroi" under various municipal enactments. Thus octroi is a "tax on goods or animals brought within the municipality for consumption, use or sale therein." Courts were frequently faced with disputes as to the correct interpretation of the expressions, "consumption", "use", "sale" and "therein" used in the definition. The Supreme Court has held in *Burmah Shell Oil Storage and Distributing Co.; India Ltd., v. Belgaum Borough Municipality*¹⁰ that the expressions "consumption" and "use" together "connote the bringing in of goods and animals not with a view to taking them out again but with a view to their retention either for use without using them up or for consumption in a manner which destroys, wastes or uses them up." It was further explained that by the act of consumption it was not necessary that the commodity must be destroyed or used up.¹¹ Again the word "therein" did not mean that all the act of consumption must take place within the area of the municipality. It was sufficient if the goods were brought inside the area to be delivered to the ultimate consumer in that area.

In this case, the court held that a trading firm would be liable to pay octroi "on goods brought into the local area: (a) to be consumed by itself or sold by it to consumers direct, and (b) for sale to dealers who in their turn sold the goods to consumer within the municipal area irrespective of whether such consumers bought them for use in the area or outside it, but it was not liable to octroi in respect of goods which it brought into the local area and which were re-exported."

The principle laid down in this case has been consistently followed in subsequent cases.¹² In the latest case, the court went to the extent of holding that even if the word "sale" was absent in the definition (as was the case in the Bombay Municipal Boroughs Act, 1925 before 1954)¹³ the position would be the same provided the goods were sold in the local area to a consumer who brought them for the purpose of use or consumption or even for resale to others for the purpose of use or consumption by them in the area.

OCTROI V. TERMINAL TAX

The difference between octroi and terminal tax also has been clearly spelt

¹⁰AIR 1963 SC 906.

¹¹The expression "consumption" includes such a process as conversion of wheat into flour for sale outside the local territory; or sale of commodity to consumers within the local area. See *Punjab Flour Mills Case*, AIR 1947 FC 14.

¹²*Hiralal Thakorlal Dalal v. Broach Municipality*; AIR 1976 SC 1446.

¹³The word "sale" was included in Section 73(1)(iv) of the Bombay Act only in 1954 in order to bring the description of octroi in the Act in line with the Constitution.

out by various decisions. In the *Punjab Flour Mills* case¹⁴ the Federal Court had pointed out that "the grounds of taxation under the two entries are . . . radically different and there is no case for suggesting that taxation under one entry limits or interferes in any way with taxation under the other". In the *Burmah Shell* case¹⁵ again, the Supreme Court held that the two taxes were different even though they resembled in one respect, viz., that they were leviable in respect of goods brought into a local area. Whereas octroi is imposed on goods brought into a local area only for sale, use or consumption, a terminal tax can be imposed both on the entry (provided the goods are not in transit) and the exit of goods. Thus, as the Taxation Enquiry Commission says, "terminal taxes can be levied also on goods whose destination and consumption are outside the local area."¹⁶ Further, octroi is confined to goods and animals only and terminal tax extends to passengers also. And while octroi is accompanied by a system of exemptions and refunds, terminal tax does not involve the complicate procedure of refund.

ENTRY 89, LIST I V. ENTRY 56 LIST II

The question whether terminal tax would fall under Entry 56 of the State List, viz., Taxes on goods and passengers carried by Road or Inland Waterways, was answered in the negative by the High Court of Bombay in *Secretary, Municipal Committee, Achalpur v. Nand Kishore*.¹⁷ In this case the Municipal Committee of Achalpur issued a notification in 1962 under Sec. 67(5) of the C.P. and Berar Municipalities Act, 1922, superseding the old rules of 1922 and imposing terminal taxes on the import and export of a number of articles including new articles at higher rates. The court held that it was terminal tax falling under entry 89 of List I. Since the incidence of tax was not on transport of goods, it did not fall within Entry 56 of List II. The court further held that even if the tax fell within Entry 56 of the State List it would be beyond the competence of the municipal committee inasmuch as section 66 of the Act did not transfer this head of taxes to municipalities governed by it. The tax did not fall even within Entry 52 of List II.

This decision makes it clear that there is no Entry in the State List under which terminal taxes could be imposed by municipalities. Those local bodies which are continuing the levy of terminal taxes, even though would be saved under Art. 277 of the Constitution, would find it difficult to enhance their revenue by increasing the rates or adding new articles in the list.¹⁸

¹⁴AIR 1947 FC 14 *supra*.

¹⁵AIR 1963 SC 906.

¹⁶*The Taxation Enquiry Commission Report*, Vol. III, 1953, p. 403.

¹⁷AIR 1967 Bom. 443.

¹⁸See *Municipal Committee Amraoti v. Ramachandra Vasudev*, AIR 1964 SC 1166.

OCTROI AND ART. 301 OF THE CONSTITUTION

Another important question that has been frequently agitated before the judiciary is the constitutional validity of the levy of octroi. It has been argued time and again that the levy of octroi violated the freedom of trade, commerce and intercourse guaranteed by Art. 301 of the Constitution.¹⁹ The maintenance of road barriers for the collection of octroi, it is pointed out, adversely affect free movement of goods and as such directly hampers the smooth flow of trade. The questions posed before the courts were:

- (a) whether the levy of octroi *per se* was an infringement of the freedom of trade and commerce guaranteed by Art. 301; and
- (b) if it is an infringement of such freedom, is the tax reasonable and required in public interest as required by Art. 304(b).

In *Atiabari Tea Co. Ltd. v. the State of Assam*²⁰ the Supreme Court laid down the principle that if any Act imposed any direct restrictions on the very movement and transport of goods, it would attract the provision of Art. 301 and its validity could be sustained only if it satisfied the requirements of Art. 302 or Art. 304. This decision was clarified by the Supreme Court in a subsequent case²¹ where the court observed that regulatory measures or measures imposing compensatory taxes for the use of trading facilities did not come within the purview of the restrictions contemplated by Art. 301. The position has been well explained in *Firm A.T.B. Mehtab Majid & Co. v. State of Madras*²² where the Supreme Court held that taxing laws could be restrictions of trade, commerce and intercourse if they hampered the flow of trade and if they were not what could be termed to be compensatory taxes or regulatory measures.²³

Relying on this principle, the courts have held that octroi did not prevent or restrict the free flow of goods for trade purposes. In one of the recent cases in *M/s Elgin Mills Co. Ltd. v. the Nagar Mahapalika, Kanpur*²⁴ the High Court of Allahabad declared that the imposition of octroi being compensatory in nature was outside the purview of Art. 301 of the Constitution and was a valid import. The court observed that the Nagar Mahapalika, Kanpur was providing extra and additional facilities to the trade and had imposed octroi in order to recoup itself, and as such there was a rational nexus between the

¹⁹Art. 301: Subject to the other provisions of this Part, trade commerce and intercourse throughout the territory of India shall be free.

²⁰AIR 1961 SC 232.

²¹*Automobile Transport (Rajasthan) Ltd. v. State of Rajasthan*, AIR 1962 SC 1406.

²²AIR 1963 SC 928.

²³The same view was taken in a number of subsequent decisions the latest being *S. Kodar v. State of Kerala*, AIR 1974 SC 2272; and *G.K. Krishnan v. State of Tamil Nadu*; AIR 1975 SC 583.

²⁴AIR 1976 All. 274.

levy of octroi and the furnishing of facilities to the trade, commerce and intercourse within the local limits of the Corporation.

The law is thus well settled that the local bodies could levy octroi for the purpose of providing amenities to the people of the local area who pay the tax (octroi) along with others for the purpose of running the local administration without violating the freedom of trade, commerce and intercourse guaranteed by Art. 301 of the Constitution.

CONCLUSION

As may be seen from the above analysis, legal issues involved in the imposition and levy of octroi and terminal tax have been, to a great extent, clarified by various judicial pronouncements. The difference between octroi and terminal tax has been distinctly spelt out by the judiciary through a number of decisions. It has been held that octroi, though not mentioned in the Constitution, comes under Entry 52 of the State List and is generally delegated to the local authorities. On the other hand, under the Constitution, terminal tax has become a central subject under Entry 89, to be dealt with exclusively by the Central Legislature. It is also clarified that those local bodies which were levying terminal tax before the commencement of the Constitution could continue the levy provided they do not add to the list of taxed items or increase the rates of levy. It has also been clarified that terminal tax does not come under Entry 56 of the State List dealing with "taxes on goods and passengers carried by road or on inland waterways," with the result there is no Entry in the State List under which terminal tax can be collected by municipal bodies. The constitutional validity of octroi has also been upheld by the courts. The courts have declared that imposition of octroi is not violative of Art. 301 of the Constitution.

It may be pointed out here that even though, legally speaking, the imposition of octroi does not violate the free flow or movements of goods in the course of trade and commerce, in practice the collection of the tax through the erection of innumerable road barriers and the appointment of petty officers with relatively wide powers at the check posts, adversely affects the quick movement of goods. The various Committees²⁵ and Commissions²⁶ which have looked into the matter have expressed the same view. For instance, the Committee of Ministers has observed: "Octroi . . . constitutes a restriction on through trade. The national economy should be safeguarded as an entity by facilitating the smooth flow of trade and commerce . . . by preventing the raising of bottlenecks through local government regulations. Octroi is certainly an undesirable tax from this point of view."²⁷ The Taxation Enquiry Commission has also expressed the unsatisfactory character of octroi.

²⁵*Report of the Committee of Ministers on the Augmentation of Financial Resources for Urban Local Bodies (1965)*, constituted by the Central Council of Local Self Government.

²⁶*Taxation Enquiry Commission Report*, Vol. III (1953-54).

²⁷*ibid.*, p. 48.

The Committee of Ministers has recommended the replacement of octroi either by a turnover tax or by a surcharge on sale-tax "or by some other method which may cover the same sphere of taxation but would be free from the evils of the octroi system." The Committee also recommended the levy of a terminal tax on goods carried by rail as well as by road.

The Local Finance Enquiry Committee (1951) also recommended that the entry relating to terminal taxes should be transferred from the Union List to the State List or in the alternative the Government of India to consider favourably any proposal which may be made to them by State governments for the levy and collection of terminal tax.

The above suggestion regarding the levy and collection of terminal tax by the State government or local authorities can be implemented only through a constitutional amendment by incorporating "terminal taxes" also in Entry 52 of the State List and deleting Entry 89 from the Central List. The Central Government should not have any objection to such an amendment as even now under Art. 269 of the Constitution, the taxes so collected are to be assigned to the States. The implementation of this recommendation might help eliminate the evils of octroi, if the terminal taxes or goods carried by road are also collected, to the maximum extent possible, along with freights so that the need for erecting numerous barriers which are an impediment to the smooth flow of road traffic can be avoided, as suggested by the Committee of Ministers.



Administration of Octroi in Uttar Pradesh

K. SREERAM

TO local bodies, no other tax raises as much revenue as octroi, but at the same time no other tax created as many administrative and other problems as octroi. The octroi affects a larger number of people and a larger number of interests than most of other taxes at the local level. But the merit of octroi as a major source of revenue lies in the fact that it covers the major commercial activity of the town. This makes possible the realisation of a substantial revenue from a comparatively low rate of tax.

The U.P. Municipalities Act 1916, as well as the U.P. Nagar Mahapalika Adhiniyam, 1959, empower the urban local bodies in Uttar Pradesh to levy an octroi on goods and animals brought within the municipality for consumption, use or sale therein.

Octroi and terminal taxes on goods and passengers are leviable by different authorities under item 89 of the Union list and items 52 and 56 of the State list. This constitutional position has made available this source of taxation to urban local bodies under the aforesaid enactments.

The broad features for imposition of octroi, terminal tax and toll tax have been laid down in the statutes whereas the detailed procedure covering assessment, collection and supervision of administration of octroi were laid down in the 'Accounts Rules' framed under the respective Acts.

Before discussing the question of retention or abolition of octroi, a brief description of the provisions regarding the administrative procedures for assessment and collection of octroi in Uttar Pradesh may be relevant.

ADMINISTRATIVE PROCEDURE

The detailed procedure for the administration of the tax has been laid down in the Account Rules, framed under the respective statutes. The administrative procedure is as follows :

(1) *Assessment and Collection*

Goods which are imported into the municipal limits and which are

subjected to the tax are dealt with in one of the following manners :

- (a) goods may be assessed at the barriers;
- (b) they may be taken to the branch or head octroi office and assessed there, as the case may be;
- (c) they may be assessed under the rules laid down for goods imported by railway, or
- (d) the octroi may be compounded for.

Barriers

The municipal boards are required to place octroi barriers at such points on or in immediate vicinity of the municipal limits as being the most suitable for intercepting the import traffic. Besides these outpost barriers, there should be a central barrier, and railway and warehouse barriers. If tax is collected on animals, at slaughter houses, there should be slaughter house barrier. At each barrier, a copy of the octroi schedule and of the prices current for the month both in English and Hindi, should be posted in a conspicuous place.

Each barrier is manned by a staff of muharrirs and peons according to a standard laid down by each board. The muharrir's duty is to ensure that all goods, liable to tax, are stopped at the barrier, and to assess and collect the tax or to deal with them as prescribed under the rules. Peon's duty is to keep a watch to see that no goods pass the barrier without muharrir's knowledge.

The rules cast a duty on drivers of every vehicle carrying goods liable to tax to stop at the octroi barrier for reasonable time to enable the octroi staff to assess and recover the tax. The driver should also stop the vehicle if asked to do so by octroi supervising staff in order to check evasion.

To ensure efficient and effective tax administration, the boards are required to appoint inspectors or other responsible officer or officers. They are to ensure that the general working of the staff at the barriers is in accordance with the prescribed rules. The Executive Officer and members of Octroi Committee are also required to inspect the barriers.

Procedure for Assessment and Collection

At Outpost Barriers : On the import of goods liable to tax, the muharrir in charge of the barrier should ask the importer to declare whether they are intended :

- (a) for consumption, sale, or use within the municipality; or
- (b) for immediate export; or
- (c) for temporary detention within the municipality and eventual export.

In case the importer makes no such declaration, the muharrir should treat the goods as imported for consumption, sale or use.

In any case, goods are assessed and taxed at the rates prescribed in the schedule.

Goods liable to tax on an *ad valorem* basis are assessed according to their market value if that value can be ascertained from the copy of the price-list current for the month. If the value is less than Rs. 25 the muharrir should calculate its value on the basis of information at his disposal. In case the price-list is not available or the value of goods cannot be ascertained for any other reason, the muharrir should bend the goods along with a note to the head octroi office where the Octroi Superintendent will make the assessment.

In case of dispute relating to assessment or calculation made by barrier muharrir, he should send the goods, along with a brief report, to head octroi office for the decision of the Octroi Superintendent. If the importer is still dissatisfied with the decision, he should deposit the tax and then appeal to the board within seven days from the date of payment.

It is for each municipal board to lay down the limit upto which an outpost barrier muharrir may collect tax on a single consignment and above which the tax should be collected at the central barrier.

At the Central Barrier : The central barrier should be situated at the head octroi office and should be used for collecting tax when :

- (a) assessment has been made by Octroi Superintendent of a member of the Octroi Committee; and
- (b) in settlement of a dispute.

Of Goods Imported by Railways : When a person receives the railway receipt of goods sent to him by railway, he should send it along with the invoice, in the absence of the latter with written declaration of the details of goods to the head octroi office. If the goods are liable to tax, the receipt and invoice or declaration are entered into a railway receipt and invoice register, stamped with a municipal delivery of his goods from the railway. The Octroi Superintendent determines the tax and sends the memorandum to the Central Barrier where the importer is required to deposit the tax. The Central Office issues a pass to the importer, which he should present at the railway barrier while taking delivery of the goods.

Composition for Octroi : Section 156 of the U.P. Municipalities Act, 1916, provides that a municipal board by a special resolution provide that all or any person may be allowed to compound for a tax. Where this practice is followed, the board is to maintain a list containing the following information :

- (a) all persons, whether firms or individuals, allowed to compound;

- (b) persons who are permitted to compound on the basis of their net imports.

The persons who are allowed to compound for octroi are issued books of free passes by municipal boards. The person concerned should fill up a pass and send it to the barrier whenever he brings goods into the municipality. These passes form the basis of composition.

To persons who are permitted to compound on the basis of their net imports, a book of export passes is also issued by the boards. When such a person wishes to export his goods from the municipality, he should fill up a pass and send it with his goods to the barrier.

Persons who are extended the facility of compounding should make payment strictly in advance.

Transit Pass System : The following rules are to be observed in the case of goods which at import, are declared as intended for immediate export and are, therefore, merely in transit through the municipality.

When goods are declared as for immediate export, the muharrir at the barrier should fill up a form, calculate and realise the tax and hand over the pass in triplicate to the importer. The importer should take it with the goods to the barrier of export within prescribed hours, where after necessary verification, the goods are allowed to pass out of the barrier and the first foil of the pass is retained. The exporter should present the pass at the central barrier to obtain refund of the tax paid by him at the import barrier alongwith the second foil duly endorsed at the export barrier.

The above administrative procedure for assessment and collection of octroi indicates that barring under a few circumstances the entire administration of the system remains in the hands of the staff at the octroi barrier, i.e., muharrirs and peons who are low-paid personnel.

RECOMMENDATIONS OF COMMISSIONS AND COMMITTEES

The procedure laid down for administration of octroi is no doubt cumbersome and a source of corruption and harrassment. All the Committees and Commissions which have enquired into local finances have repeatedly highlighted the administrative problems of octroi.

The Taxation Enquiry Commission, held that

“...while our view is that octroi is unsatisfactory, our recommendation will leave local bodies free to continue the levy of this tax. Unfortunately, on any except a long-range view of the situation, it is not practicable to envisage the wholesale abolition of octroi. It is obvious that, unless adequate alternative sources are developed by or for the local bodies, such a course will have extremely adverse effects on several municipalities and municipal corporations.... Briefly, either now or in the immediate

future, it is impossible to conceive of alternative sources of local taxation which will give the eleven crores odd of revenue which octroi today provides. The elimination of octroi from the tax system of local bodies should undoubtedly be aimed at; but it has inevitably to be a long-term aim." (Vol. III, para 10, p. 405)

The Commission called for measures to remove the defects in the administration of octroi. In this regard, it made the following recommendations :

- (a) Octroi should ordinarily be levied on the basis of weight and not ad *valorem* since the latter adds to delay and harassment;
- (b) A model schedule should be prescribed by State Governments in all the States;
- (c) Collection of tax should not be virtually left in the hands of subordinate staff but should be supervised frequently and effectively by the higher executives with a view to check corruption and preventing harassment.¹

The Report of the Committee of Ministers on Augmentation of Financial Resources of Urban Local Bodies (Zakaria Committee) pointed out the following defects in the administration of octroi :

- (i) the administration of the tax is very cumbersome and vexatious, as numerous barriers have to be erected for collecting the tax at the points of entry and a very complicated procedure for refunds has also to be followed;
- (ii) octroi system gives wide discretionary powers to low paid staff which leads to corrupt practices; and
- (iii) it is expensive to collect and hence wasteful.²

The Committee felt that though octroi is a bad form of taxation, it cannot be abolished outright unless alternative sources of revenue which should compensate for the consequential loss of revenue are found.

The Rural-Urban Relationship Committee reiterated the evils of octroi system. It recommended that since octroi constitutes a major hindrance to the free flow of traffic and trade it retards the growth of commercial and industrial activity. It recommended that in the national interest octroi and terminal taxes should go.³

The U.P. Taxation Enquiry Committee, 1969, observed that the fundamental objection to octroi, terminal and toll taxes is that they cause inconvenience and harassment to trade in general than is justified by their yield

¹Para 11, p. 406.

²Para 41, p. 48.

³Report of the Rural-Urban Relationship Committee, Vol. I, Para 9.21, p. 94.

of revenue and the delays, inconveniences or vexation caused is the same whether the revenue derived at a particular check-post is big or small. It recommended abolition of octroi in stages.

Thus, all the Commissions and Committees have unanimously condemned octroi as an obnoxious tax mainly because of the administrative problems which it is supposed to have created. The main administrative problems highlighted were :

- (i) cumbersomeness and vexatious nature of the tax because of complicated procedure;
- (ii) vesting of wide discretionary powers in the hands of low paid employees leading to corruption, harrassment and other undesirable practices;
- (iii) restricting free flow of inter-state and intra-state trade and commerce.

CONCLUSION

The Taxation Enquiry Committee (1953-55) stated that :

"It is true that all taxes are un-welcome and that no tax can be rendered popular by good administration; but few taxes can be rendered so unpopular by bad administration as the sales tax."

What is true of sales tax is also true of octroi system. The point for consideration is whether the octroi should be abolished because it is an obnoxious and vexatious tax breeding corruption or attempts should be made to avoid or at least reduce the undesirable features. The following tables show the estimated income from octroi and other related taxes to municipal boards in Uttar Pradesh during 1975-76.

The following table shows the estimated total tax income of 167 municipal boards in U.P. from different tax sources:

<i>Class of boards</i>	<i>No. of boards</i>	<i>Property taxes</i>	<i>Income from octroi, terminal and toll taxes</i>	<i>Miscellaneous taxes</i>	<i>Total</i>
I	47	294.33 (25.9%)	772.37 (67.8%)	72.06 (6.3%)	1,138.75 (65.5%)
II	38	83.43 (26.6%)	220.24 (68.5%)	17.84 (5.5%)	321.51 (18.5%)
III	36	30.71 (19.9%)	102.70 (64.5%)	24.91 (15.6%)	158.32 (9.2%)
IV	46	22.96 (18.6%)	77.94 (66.0%)	18.14 (15.4%)	119.04 (6.8%)
Total	167	431.45 (24.8%)	1,173.25 (67.5%)	132.95 (7.7%)	1,737.65 (100.0%)

In terms of per capita income, the following table gives the picture :

Class of Boards	No. of Boards	Per capital incidence		Miscellaneous taxes	Total per capital from tax sources
		Property tax	Octroi terminal and toll taxes		
I	47	6.75	17.70	1.65	26.10
II	38	5.86	15.47	1.25	22.58
III	36	4.05	19.53	3.28	20.86
IV	46	3.90	13.23	3.08	20.21
Total	167	6.05	16.44	1.86	24.35

SOURCE: The Regional Centre for Research & Training in Municipal Administration, Institute of Public Administration, Lucknow University, collected the Budgets of all 173 municipal boards in U.P. for the year 1975-76. These budgets have been analysed and a report has been prepared which will be published shortly. The above two tables were taken from the report. The report covers 167 municipal boards only since the budgets of six municipal boards were incomplete.

The above tables clearly establish the fact that octroi is the sheet anchor of municipal finances in the State. Thus, octroi and other taxes constitute 67.5 per cent of the total tax revenue of the municipal boards. Classwise, they account for 67.8 per cent, 68.5 per cent, 64.5 per cent and 66.0 per cent for class I, II, III and IV municipal boards respectively. In per capita terms, it accounts for Rs. 16.44. Classwise, the per capita income from this source has been Rs. 17.70, Rs. 15.47, Rs. 19.53 and Rs. 13.23 for Class I, II, III and IV municipal boards respectively.

Apart from being the main source, it is the single largest source of daily income to local bodies. For example, in one municipal corporation in U.P., out of a total estimated daily collection of Rs. 80,000, income from these sources amounts to about Rs. 30,000. Many of the municipal boards depend upon the daily cash flow from octroi to meet their day-to-day demands. After the recent re-opening of the debate for abolition of octroi at the national level, Government of Madhya Pradesh was the first to announce the abolition of octroi and its replacement by an entry tax and a turn-over tax from May 30, 1976. Octroi Compensation Fund is to be created to which income from these two taxes is to be deposited and local bodies were to be paid compensation. Pending detailed arrangements to be made for the administration of new taxes and the operation of the Compensation Fund, the Government has

been presently making monthly payment of grants to local bodies in lieu of income from octroi. Since the new arrangements are not in operation in full swing, it is not clear at the moment as to how the new arrangements will operate and what implications of abolition of octroi will have on overall financial position of local bodies. It appears that these questions have not been studied in depth and in detail. Real implication will come to surface when once the first-flush of enthusiasm is over. So, it is not safe to take the cue from the Madhya Pradesh experiment.

Therefore it is advisable to move cautiously in this direction and it is suggested that instead of abolishing the tax, attempts should be made to remove or reduce the undesirable features of the tax. At this juncture, abolition of octroi would amount to writing obituary of local government institutions.

Octroi could be made less unwelcome if the schedules are less ambiguous, regulations less complex, assessment less time-consuming and in broad terms administrative machinery at all levels least open to corruption and charges of inefficiency.

Since personnel dealing with the administration of octroi enjoy considerable discriminatory powers in matters of assessment and collection and inspection, and since this work has been entrusted mainly to lower categories of staff, it tends to lead to corruption, inefficiency and harassment to public. In order to ensure that powers of this nature are not abused, at important barriers, senior officers should be posted to supervise the administration of the tax.

In order to reduce hindrances in the way of free movement of inter-state and intra-state trade and commerce, abolition of octroi is not a *sine qua non*. This objective could be achieved by evolving alternative administrative arrangements. One line of action could be to undertake administration of this tax on a regional basis by a number of local bodies on a cooperative basis.



Abolition of Octroi

R.G. RELE

NO tax is so much criticized as octroi. It is said by one and all that it is the most out-dated, out-moded, antiquated, obnoxious tax. It can also easily be said that it is a sophisticated form of highway robbery. All the Commissions and Committees which have gone into the levy of octroi at various stages of octroi in the course of last 50 years or more have uniformly condemned it as a retrograde form of taxation. The Keskar Committee in their report have gone to the extent of saying that "it is a fertile source of corrupt practices." The Taxation Enquiry Committee of 1926 pointed out that octroi has offended all canons of taxation. The Taxation Enquiry Commission of 1953, stressed the need for replacing it with a suitable surcharge on sales tax. More recently the Study Group of octroi which was appointed by the Government of Maharashtra under the chairmanship of Shri Wankhede, after considering various alternatives of raising revenue in lieu of this tax recommended introduction of multipoint turnover tax at a flat rate of 70 paise per turnover of Rs. 100.

TWO EVILS

In this background it is not wise to openly defend octroi. But when one has to choose between two evils it is always wise to choose the lesser one. In Bombay the continuation of octroi is a lesser evil than the paucity of finances.

In Bombay previously a tax called "Town Duty" was being levied. The income from this source in the year 1964-65 was about Rs. 1½ crores only. By this time the Corporation had finalised their various civic projects and the total layout estimated for its implementation, spread over a period of 20 years was in the proximity of several crores. As the financial resources of the Corporation were limited and there was hardly any elasticity for revising the rates of the then existing taxes, it was decided to levy octroi so as to get more income which could be spent on the various projects. While preparing the schedule of articles to be subjected to octroi, it was seen that this source of income was sufficiently flexible and of an expanding nature. The rates shown in the Octroi Schedule were liable to be revised from time to time

subject to the maximum of 7 per cent *ad valorem* or twice the rates prescribed in the schedule whichever was less.

Since the introduction of octroi from April 1, 1965, the rates of octroi have been revised from time to time to get more income to meet our growing needs both on services and other projects. In some cases the rates have also been reduced with the sole intention of minimising the hardships which were being caused to the tax-payers. Every care is taken to see that the cost of collection is reduced to the minimum. It is at present less than 3 per cent of the gross income.

CHARGES AGAINST OCTROI

The business community it appears is not so much against the levy of octroi as the transport operators. The main reasons advanced for abolition of octroi are:

- (1) Detention of vehicles at the Octroi Check-posts.
- (2) Corrupt practices.

Detention of Vehicles at Octroi Check-posts

Even though the system of octroi is basically the same everywhere, yet there are differences so far as its practical working, administration and management are concerned. The special feature of Bombay is that it is a terminus for all types of traffic, viz., Sea, Rail, Air and Roads.

The charge of detention of vehicles at the octroi check posts is not correct so far as the check posts in Bombay are concerned. In Bombay we have only 4 road octroi check posts through which the lorries enter the limits of Greater Bombay. Due to the peculiar geographical situation the lorries coming into Greater Bombay limits are really coming to the last destination and it is our experience that the transport operators park the lorries in our yards for a longer duration even though all the octroi formalities are over. We have to force them to go out of our yards. The main reason for this parking is that the transport operators require time to do some other odd jobs not concerning Octroi. As it is not possible for them to park the vehicles on roads due to the R.T.O.'s restrictions, they try to park them in our yards. This detention cannot be said to be caused by the municipal staff. After the entry of the lorry in the yard, the papers are submitted by the transport operators to the octroi agents who pay octroi on behalf of the importers. They take much time to produce the papers to the octroi staff as a result of which some detention is caused. In fact the flow of traffic at the 4 check posts is about 5 vehicles in 2 minutes, of course, some of them are not octroiable. No doubt some vehicles are opened up for the purpose of checking if some doubt is created in the mind of the staff working at the post; but such occasions are very few and some detention caused by this is quite inevitable.

Corrupt Practices

The charge of corruption against octroi cannot be ruled out. There are some inherent defects in any tax and malpractices may be one of them. But so far as the recovery of octroi in Bombay is concerned the charge is illfounded. The special feature of the assessment and recovery of octroi in Bombay is that the assessment is made by the octroi staff but the collections are made by our agents. In Bombay there are 62 octroi work centres out of which there are only 4 road work centres where 60 per cent of octroi is collected. At the road work centres the Municipal Co-operative Bank recovers octroi and at the other 58 work centres it is recovered by either the Bombay Port Trust or the Railways. Within Railway stations and yards the valuations are based on the railway receipts; and within Bombay Port Trust area of the harbour, the valuations made by customs are accepted by the Corporation. This will clarify that if at all any malpractice is possible, it can only be possible at the 4 road barriers. But at all the 4 road barriers, we have got full-fledged offices headed by Asstt. Assessors & Collectors. A Special Vigilance Squad is also operating at the nakas and on the roads to go into the assessments made by the staff. This Special Vigilance Squad is directly working under the Municipal Commissioner. For detecting short recoveries Municipal Chief Auditor has posted his staff round the clock. The Special Vigilance Squad is authorised to check the assessments made at the nakas as well as they are also directed to intercept and check vehicles on the roads after they leave the check posts. This has almost removed any deliberate attempt of malpractices.

The Municipal Corporation of Greater Bombay has only two major sources of revenue. They are: (1) property taxes, and (2) octroi. From the following figures it will be seen how Octroi is an indispensable source of revenue to the Corporation.

<i>Year</i>	<i>Gross Collection (Rs.)</i>
1970-71	17,77,83,868
1971-72	20,87,96,713
1972-73	21,94,38,450
1973-74	24,63,81,529
1974-75	28,45,66,206
1975-76	32,57,60,445

We have recently revised the Octroi Schedule from August 1, 1976 and the expected yield of tax during the year 1976-77 may go up to Rs. 43 crores. The Corporation, therefore, cannot agree to the abolition of octroi unless some other equally elastic and expanding alternative source of revenue is made available by the Government.

The recommendations made by the Wankhede Committee are not

acceptable to the business community in Bombay. Business community has suggested a via-media under which they want to abolish the road check posts and to levy octroi on the basis of the returns filed by the business community. So far as the other work centres are concerned, they have no objection to continue the old system of levy and collection. The Corporation cannot accept this via-media because the anticipated revenue from these main 4 road barriers cannot be known. It may perhaps prove a leap in the dark for the Corporation.

SUGGESTIONS

Notwithstanding what is said above, there is no serious opposition as such to the abolition of Octroi as suggested by the Study Group Report. However, before a final step is taken in that direction, it is of utmost importance for the Corporation to stress the following points for serious consideration and appropriate action :

(1) Our income from octroi from year to year is guaranteed in any scheme of new taxation, that will be introduced in lieu of octroi.

(2) The new source that would be coming in place of octroi must be sufficiently elastic and expanding, so as to ensure the same level of increased income that octroi would have given had it not been abolished.

(3) The Study Group has estimated the annual increase in the yield of octroi at 12 per cent. It is on the presumption that the rates of octroi remain the same. However, as stated earlier, we have not still tapped the complete potentiality of our octroi, and therefore, this estimate appears to be rather on the low side. If more articles are subjected to octroi then it would give several crores more to us. This factor cannot be ignored.

(4) The amount collected from the new source must be remitted to us daily, if not at least twice a week. At present our octroi income per day is about Rs. 12 lakh and this is very useful to us in meeting our day-to-day needs. The surplus amount can also be put into short term investments which yields us handsome interest. This will be lost to the Corporation if the remittance is not made daily.

(5) The cost of collection is estimated by the Study Group at $1\frac{1}{2}$ per cent of the gross collection of the turnover tax, which would replace octroi. It may be said that as the collection of the turnover tax-substitute of octroi is proposed to be entrusted to the present Sales Tax machinery the cost of collection would be much less than what is estimated. It would, therefore, be advisable to charge for the cost of collection commensurate with the actual money spent. Further, in case of abolition of octroi, a huge staff in the employ of the Corporation will have to be retrenched, which however, will not be possible in these days. This staff will have to be necessarily absorbed, but this cannot be done all of a sudden. The Corporation will have, therefore, to continue to spent on this staff and at the same time pay to Government the

cost of collection. It is, therefore, proposed that nothing should be deducted on account of cost of collection at least for a period of 3 years during which all efforts will be made to absorb the staff wherever possible.

(6) It is noticed that the collection of Sales Tax is not 100 per cent, but about 85 per cent of the demand, which means that 15 per cent remains in arrears at the close of the official year. Likewise, it is feared that the collection of turn over tax may also fall in arrears. Octroi is always collected in cash and there is no question of arrears. In view of this, the rate of turn over tax proposed in the study Group Report will have to be reconsidered and adjusted suitably.

(7) If the annual increase in the yield of turnover tax does not keep pace with the increase in the octroi income, steps will have to be taken to revise the proposed rate of turnover tax.

(8) Lastly, it is possible to expand the present Octroi schedule by adding more articles and subjecting them to octroi. This can give additional income to the Corporation. If this factor is to be given due consideration, then in future the rate of turnover tax will have also to be reviewed from time to time and suitably revised, so as to give still more income to the local bodies.

CONCLUSION

Even though the octroi function in the Municipal Corporation of Greater Bombay is almost free from the general charges levied against it, if at all it is decided to abolish octroi, it may be suggested that unless the octroi income in the base year is guaranteed by the Government with the usual degree of elasticity, the Municipal Corporation of Greater Bombay, cannot agree to the said abolition. Another point to be borne in mind is that we are at present recovering a hard cash of Rs. 12 lakh per day. If any substitute is to be thought of, this aspect of the daily inflow of the cash will have to be given the utmost consideration.

It is worthwhile to note that a resolution was passed in the Mayors' Conference held recently to the effect that octroi should not be abolished as it happens to be the major source of income for the local bodies.



Octroi—Its Role in Local Finance, Case for its Abolition and Alternatives

N. H. THACKER

THE origin of octroi as a means of city finance can be traced as early as 'Ramayana', 'Mahabharat' and 'Gupta' period along with the origin and growth of the City Government. This is evident from the fact that as early as in the period of Rama, reference is found as 'Paurajanpad', i.e., the City Representative.

RESPONSIBILITIES OF THE CITY-GOVERNMENT

During Middle ages, i.e., at the time of Kautilya, the following were the responsibilities of the Municipalities:

1. Care of temples.
2. Maintenance of houses.
3. Care and maintenance of wells-irrigation.
4. Care and maintenance of places of religion.
5. Formation of laws against anti-social elements.
6. Arrangement for beggars and help to poor people.
7. Arrangements for construction of public roads in towns and villages.
8. Arrangement for forced labour.

These are, broadly, the duties of the rulers.

PRINCIPLES AND METHODS OF TAXATION—LEVY OF DUTIES

According to Kautilya, there were 14 methods and/or principles of taxation laid down for the administration of the City. They are:

1. While taxing, the administrator of the City should see that tax payers are not ruined.
2. There should be flexibility in taxation.
3. From administrative angle, with greater taxation, there should be possibility of greater public work.

4. The taxation should be such that the public should feel minimum possible burden.
5. When properties and happiness of the subject is increasing, there should not be excessive taxation which may stop the progress.
6. The taxation should be at proper place, proper time, and it should be of proper type. The cow should not be milked to the extent that her udders are damaged and nothing is left for calves.
7. While taxing industry, initiative of the industry should not be killed. While taxing, proper study should be made for protection of labour and profit.
8. While taxing art-materials, care should be taken about the art, remuneration and price of the articles.
9. While taxing the imported items, the selling price, distance and requirements of the city should be examined.
10. For injurious articles, there should be heavier duties on their imports in the city.
11. There should be free entry of beauty-aids.
12. There should be no duty on raw materials and scarce materials.
13. On all armaments of the war, there should be free import. There should be proper taxation on export of such articles.
14. There should be duty on the manufacture and import of all types of wines and spirits.

MOGHUL PERIOD

In the Moghul period also, the above arrangements of taxation were evident in India. The city-duty or the entry-duty, *i.e.*, octroi, was in existence, in one or the other form in India since long. In Moghul period, the transit duty were levied and also continued by the East India Company.

ORIGIN OF THE WORD OCTROI

The word 'octroi' is of French origin. The 'Octroyer' means the duties levied on goods while entering the city. It was known as 'chungī' in Moghul period. Later on, this form of taxation continued for obtaining finance for the requirements of the city development throughout the 19th and 20th centuries, in one or the other form of taxation. Its abuses were also marked. However, this was withdrawn in Bengal in 1835 and in Madras in 1842; but again revived from 1864 onwards on restricted pattern with some principles laid down. They were as under :

1. The octroi should be only on articles commonly consumed in the city.
2. The articles should be as few as possible.

3. The refund should be arranged immediately in case of dutiable goods exported from the town.

Agitation for removal of octroi was again started in 1908 and has been continued till to-day. There has been a move for substitution of terminal tax for octroi in different cities and towns. The terminal tax was of lesser evil; but its revenue was also less.

OCTROI AND TERMINAL TAXES

The word 'octroi' does not appear in the Constitution; but, it is, however, covered by entry 52 in the State List. The distinction between octroi and terminal taxes is as follows:

- (i) Octroi is levied on goods entering the specified area while terminal tax is on goods, which leave the area as well as those which move into it.
- (ii) Octroi is confined to goods while terminal tax extends to passengers as well.
- (iii) Octroi is levied on goods which are meant for consumption, use or sale in the city.
- (iv) Octroi can be levied *ad valorem* and is refundable; while terminal tax cannot be levied *ad valorem* and is not refundable.

Most of the Municipal Corporations, Municipalities, District Local Boards, Village Panchayats in India have resorted to this form of taxation. For abolition of octroi, various Enquiry Committees were formed by the different States in India and they have reviewed merits and de-merits of octroi. It appears that the Central Government, on constant pressure from the transport interests is also keen to consider alternatives of octroi. In Madhya Pradesh, Andhra Pradesh, Hyderabad, they have abolished octroi.

ROLE OF OCTROI AS MEANS OF LOCAL FINANCE

Octroi has been recognised as a means of effective measure of taxation, particularly, in the big cities. So far as Ahmedabad is concerned, the following statements indicate the role of octroi as the means of revenue from 1950-51 to 1975-76.

The statements in the Appendix indicate that the octroi gives to the Municipal Corporation revenue ranging from 30 per cent to 40 per cent of the total revenue of the Corporation; and almost more than 50 per cent of the total tax revenue. The same is true for big cities like Bombay, Calcutta, Madras and Delhi.

The following statements in the Appendix indicate :

- (a) octroi income and its percentage for the years from 1971-72 to 1975-76;
- (b) revenue income and expenditure of the Corporation for 1976-77 indicating revenue from octroi, other taxes, etc;
- (c) statement showing the octroi income and percentage of difference for the years from 1950-51 to 1975-76 ; which establishes its flexibility;
- (d) statement showing octroi income and percentage of necessities like grain, comforts and luxuries from 1971-72 to 1975-76; and
- (e) statement showing gross octroi income, establishment expenditure and percentage of establishment expenditure from 1970-71 to 1975-76.

The above statements appearing in the Appendix give a clear picture of octroi as a source of revenue and its elasticity and necessity together with its impacts from different angles.

During 1976-77 (in the month of December, 1976), the Ahmedabad Municipal Corporation has presented the Octroi Schedule to meet the loan charges and interest charges for the additional loan burden of Rs. 55 crores over a period of 15 years (Rs. 31 crores—first phase programme—for the period of 5 years) for the Water Supply Project which has been submitted to the State Government, and approved by the Ministry of Works & Housing on condition that the financial viability of the project is established. This could only be established by assuring the various financing participant agencies like State, Central Government and Life Insurance Corporation of India that revenues of the Corporation would be augmented by revision of octroi. In view of the fact that maximum permissible limit for levying property tax has already reached, there is now no other flexible means of revenue left excepting octroi to meet the tremendous increase of expenditure that would be coming in the next 5 years. Besides this consideration, increase in establishment expenditure due to the recent award in favour of the staff increasing the financial burden to the tune of Rs. 1.85 crores every year will have to be met. It is impossible to find out other effective alternative substituting octroi as the means of taxation under such eventuality.

Even in Bombay, there had been increase of Rs. 13 crores, *i.e.*, almost 30 per cent increase in octroi rates to meet their financial needs. Ahmedabad has also followed this practice. The role of octroi as means of municipal finance of big cities is established beyond doubt.

It is also the main source of revenue for other municipalities and Panchayats.

Examining the statements of revenue of various Corporation and Municipalities, it is impossible to think about an equally effective, viable and flexible means of revenue.

Let us examine why octroi has been declared as the most obnoxious means of taxation by one and all.

DE-MERITS OF OCTROI

Octroi as a means of revenue of urban local authorities, is objected since more than 100 years. A number of Commissions have been appointed to examine abolition of octroi. The objections are mainly from the transport operators, traders, and industries on account of possible waste of time and harassment that they have to undergo.

Their argument is that it is coming in the way of progress and development of trade, industry and commerce.

Besides this, octroi is attacked on ground of corruption. Generally, low paid staff is appointed at the octroi naka and they have full discretion to assess octroi to be recovered from the transport operators, trade or industry.

There is no uniformity of octroi levy, so far as the rates, and rules and regulations are concerned. With a number of distinct schedules existing, the difficulties of trade, industry, commerce and transport operators are increasing resulting into a complete administrative mess up. There is always a fear that such difference in rates of octroi may result into migration of trade and industry from one town to another or from one city to another city, where octroi is less.

Periodically it is stated that it is inequitable as its incidence is regressive, and not progressive.

It creates artificial barriers and thereby impedes the growth of commerce; the cost of collection is high and there is corruption in the administration.

Let us examine these arguments more exhaustively.

The argument of harassment to trade, commerce, industry, etc., and particularly the transport undertaking is only partially correct. But, it cannot be argued that as such, octroi is bad, and deserves to be abolished. In the same way, any tax on entry of goods whether it is in the country or in the state or in the city, will have to face these shortcomings. Equally, this situation cannot be justified. The local authorities should work out proper arrangement by which the common schedule of octroi is adopted and common rules and regulations are adopted. This should be as simple as possible and should give least possible discretion to the staff at the octroi naka.

The big octroi nakas staff should be headed by an Assistant Octroi Superintendent of a fairly good rank and the small nakas should be headed by the Inspector and should be subject to frequent checking by the Asstt. Oct. Supdt. When the goods are entered through the city, maximum possible facilities should be given as have been given in the city of Ahmedabad; like 'M' pass system which authorises the transport undertaking to pass through the city without obstruction; opening of current account; 'G'

form system which authorises transport undertakings to deposit 25 per cent of the octroi and claim refund thereof at the time of export. The evils should be mitigated. They should not prevail upon the administration so as to justify abolishment of octroi as such unless equally efficient substitute is available.

The whole argument of the trade, industry and commerce that they may shift the location of trade, if octroi is raised, is most unwarranted from the facts. It may be stated that Ahmedabad was getting revenue of only Rs. 50 lakhs in 1950-51 and now it is getting a revenue of Rs. 12 crores or so, consequent to several increases (6 or 7 times) in 27 years, with effective change to *ad valorem* from specific duty; which gives benefit of unearned increment of trade, industry and commerce to society rather than individuals. As a matter of fact, there is tremendous growth in trade, industry and commerce in the city of Ahmedabad inspite of such increase in octroi. No doubt when every time schedule is revised or the octroi levy is increased, the argument of migration of trade, commerce and industry has been put forward. It should be noted that octroi is a very insignificant item and that too, its incidence is ultimately transferred to the consumers. Therefore, the argument is fallacious.

The harassment at the naka or at the check post is very much magnified and is out of proportion. So far as law abiding transporters and importers are concerned, they do not have any difficulty. It is not the fact that there is always a long queue of vehicles at the check posts. Such instances are rare. In Ahmedabad at 'Chandola' check post on the average 150 vehicles are cleared everyday taking about 12 to 15 minutes per vehicle and getting Rs. 2,50,000 revenue per day without much trouble to either side. In the big cities, facilities to the transport undertakings are given, like cheque system and settlement of octroi within a month or periodically as is done in Bangalore, Ahmedabad, and other cities.

The allegations of corruption though might be partially true, are exaggerated. The transport operators are very much to be blamed because of their habit of malpractices. They take advantage of loopholes with the octroi naka staff. The instances of malpractices by even big traders/operators are not uncommon. When they are strictly dealt with, there is resistance. Instances of malpractices in a big city like Ahmedabad, say by making false declaration, taking ill-advantage of 'G' form, even going to the extent of taking refunds on false statement, etc., have been noticed in the city, where, the transport operators of repute also are involved.

The instances of smuggling of goods from the godowns established at periphery of the municipal areas are also many. When strictness is enforced, there is always a hue and cry and they demand abolition of octroi.

Octroi is an indirect form of tax and is levied at the time of entry of the goods in the city. Octroi being an indirect tax, levied on entry of goods into local area for consumption, use or sale, its incidence is shifted to the consumers of the products. To the extent that this assumption is realistic,

the tax reduces real income in relation to expenditure on the taxed commodities. We can take the example of Ahmedabad Municipal Corporation where tax on essential commodities is only 7 to 8 per cent as per the statement enclosed. Further steps can be taken to reduce this burden also. As against this, there is tremendous advantage taken by the citizens by way of civic amenities like roads, water supply, drainage, sewerage, housing, hospital services, schools, etc. In short the Corporation serves the citizens from birth to death.

So far as allotment is concerned, the most significant argument is that hardly there is any other form of revenue which is more feasible and effective from the point of view of administration, economics and politics.

In case of excise duty, sales tax, etc., there is also general complaint like octroi levy, while no one would think about their abolition. They are also indirect taxes and at times regressive in nature. These are some of the reasons why octroi should not be abolished; but all possible steps should be taken to mitigate the evils. It is clear that octroi is constituting a very significant and elastic source of income of the local bodies. As a matter of fact, the Local Finance Enquiry Committee (1951) stated that "octroi was from the point of view of productivity and elasticity, a very sound financial proposition." Similarly, Taxation Inquiry Committee (1953-54) was of the opinion that it is not practicable to envisage the wholesale abolition of octroi.

The Committee on Augmentation of Financial Resources (1963) was also of the same view. The Rural Urban Relationship Committee of 1966 held that in view of the substantial income from octroi, it was difficult to recommend its total abolition. The Committee on Transport Policy and Coordination (1969) and the Rural Transport Taxation Inquiry Committee (1967) have strongly recommended the abolition of octroi. It is clear that they were influenced by the transport operators and they only cared to look to the needs of the transport undertakings. They were not able to appreciate full implications of their suggestion to abolish octroi, without proper alternative source of revenue. The whole argument of bad impact of octroi on trade, commerce, and industry, is exaggerated. The growth and development of trade, industry and commerce depend on a number of other factors. The overall effects of octroi on the economic activities are not likely to be different than those of any other indirect taxes levied in the country. Reference to "Indirect Taxation in Developing Economies" by John F. Due, "The role of direct and indirect taxes in the Federal System" by The Brookings Institution is invited to substantiate these arguments. The "Odedra Commission" of Gujarat has recommended abolition with turnover tax as substitutes. Implementation of these recommendations may bring the city finances to the brink of bankruptcy. The Central Government is seriously examining all these aspects before taking a decision on pressure of transport interest.

So far as the argument of cost of collection is concerned, care should be taken by the local authorities to bring it to the minimum. The cost for Ahmedabad is 3 per cent or so, while for 'Gram Panchayat' it is round about

12 per cent or so which can be further reduced by working out careful measures of economy and strict enforcements.

CASE FOR ABOLITION OF OCTROI

Particularly, the Road Transport Taxation Enquiry Commission, which was appointed by the Government of India in the Ministry of Transport, in 1965, as clarified earlier, strongly recommended for abolition of octroi. They have further recommended the following taxes in substitution of octroi:

- (i) Surcharge on Sales Tax or additional Sales Tax,
- (ii) (a) Municipal Sales Tax,
(b) Municipal Surcharge on Sales Tax,
- (iii) Municipal turn over tax,
- (iv) Other complementary levies.

It may be noted that 1963 the Committee of Local Self Government Ministers constituted by the Central Council of Local Self Government indicated the above substitutes particularly, the surcharge on Sales Tax or additional Sales Tax. The additional Sales Tax is by way of increase in Sales Tax at a flat rate basis so that the additional Sales Tax will proportionately be higher on those commodities which have low basic tax. So far as the municipal Sales Tax is concerned, it will be by way of octroi substitute levied on the Sales of individual commodities at rates sanctioned by the State Government. The suggestion was made for two stages Sales Tax—one for the State Government and the second for local bodies—at the initial stage in the shop, where goods are sold to the consumers.

About the municipal turn-over tax it was contemplated on the annual gross turn-over of trade of each businessman or trader within the areas of municipalities and local bodies. This might be one or two per cent of the gross turn-over and it was contemplated to meet the loss by abolition of octroi. This type of turn-over tax was later on supported by Odedra in the "Report of Octroi Enquiry Committee" (Gujarat), 1972.

The machinery to collect the Sales Tax would be the State Sales Tax Organisation. The Committee further recommended that this type of tax could be made more flexible and elastic by delegating the powers to the municipal authorities. If this is centrally collected (at the State level), the distribution of the proceeds of the tax in particular area would be necessary. It would be required to be paid to the local bodies in whose jurisdiction they arose after deducting the collection charges.

So far other complementary levies are concerned, the Committee left entirely to the State Government for choosing other means of levies. The Committee finally concluded that octroi was one of the greatest hindrances in

the way of commerce and economic development of the country and should be abolished as early as possible.

It may be stated that almost all the Committees have condemned octroi as a regressive, undesirable and anachronistic tax and recommended either strict control or abolition. It is surprising that none of them has given an effective alternative of octroi. As a matter of fact, octroi has survived all attempts so far made, for its abolition. The high revenue yielding capacity of octroi is established while vehement opposition is mainly from the transport operators. It is only the Keskar Committee on Road Transport Taxation Enquiry, which has offered some alternatives in lieu of octroi.

EXPERIENCE OF HYDERABAD, ANDHRA PRADESH AND MADHYA PRADESH

Looking at the experience of abolition of octroi in Hyderabad, Andhra Pradesh and Madhya Pradesh, the State and Central Government should think twice before abolishing it.

In the recent Seminar on Octroi at New Delhi, the representatives from Hyderabad and Andhra Pradesh have clearly stated that, so far, hardly any good and effective substitute for octroi has been located even though they have abolished octroi since last 12 years. In this case, the cities are at the mercy of the State Government for their needs. In this way, the independence of the local bodies is sacrificed and the development of the cities has been retarded.

So far as Madhya Pradesh is concerned, it has abolished octroi during the last year with effect from May 1, 1976 by an Ordinance, as the Government of India was pressing the State Government for abolition of octroi since long.

In the course of the discussion in the Seminar, it was presented by the representatives of the Madhya Pradesh that they have now got new substitute for octroi—as entry tax and turn-over tax. The Madhya Pradesh Government has passed the “Madhya Pradesh Sthaniya Kshetra Me Mal Ke Pravesh Par Kar Adhinyam, 1976.” In this Act, an entry tax is levied while other measures adopted are turn-over tax and a passenger tax. Under this Act, it has been provided that entry tax will be levied at the specified places and proceeds will go to the local authorities through specially created octroi compensation funds. These funds will be credited by 60 per cent income from the turn-over tax after deducting collection charges. Besides this, passenger tax is also levied in Madhya Pradesh. The passenger tax is collected at the bus stand and the retrenched staff of the octroi is employed for this work. About 60,000 employees were employed in octroi duty in different cities. They are still facing the problem of giving them re-employment. The total receipts from octroi was Rs. 17 crores. Because of hurry, the Legislature could not frame rules under the Act, hence the new levies could not be collected. The enclosed statement shows incidence of entry tax, increase in turn-over tax and abolition of octroi. The price index figures in the country and in Madhya Pradesh

before and after the abolition of octroi clearly show that the benefit of octroi abolition could not go to the consumers while as a matter of fact the index went up. The price index in the country and in Madhya Pradesh, before and after abolition of octroi has been shown below :

<i>Months (1976)</i>	<i>Price index in the country</i>	<i>Price index in Madhya Pradesh</i>
January	290.0	332.6
February	288.3	320.9
March	282.9	292.0
April	288.5	301.0
May	292.3	305.5
June	296.3	313.7
July	—	340.1

The above statement is self-explanatory. It shows the results of octroi abolition. Looking at the price index of Madhya Pradesh and the country, after abolition of octroi, it is seen that the benefit is retained only by the transport operators, trade and commerce. The net result of this hasty step could be summarised as under:

- (1) The road transport in Madhya Pradesh have easy movements in the State and consumers have suffered;
- (2) The State Government has done this at considerable cost and it has adversely affected autonomy of the local authorities. It is hoped that the Government of India would make good the loss of octroi; but, it has still not materialised.

It is clear that this decision, is emotional. There is loss of Rs. 17 crores for the time being. We have the experience of Hyderabad, Andhra Pradesh and Madhya Pradesh that the substitute for octroi; e.g., entry tax, turn-over tax and/or passenger tax could in no way be effective means of revenue for the big cities like Bombay, Ahmedabad, etc.

POSITION IN FOREIGN COUNTRIES

It is true that there is no tax like octroi in foreign countries. Formerly, in some of continental countries like France, it was there; but, now it is substituted by other levies.

So far as U.S.A. is concerned, General Property Tax was the main source of revenue for urban local authorities. About 75 per cent of the revenue came

from the General Property Tax; but, this had steep decline from 1965 onwards and now the property tax constitutes hardly 50 per cent of its tax revenue. The other sources are :

- (1) Increasing use of State grants and share from the tax revenue from the State Government;
- (2) The municipal services like water supply, sewerage, library system, transport facilities, electric gas system, street parking are being converted to "enterprise basis". These services are made as self-financing as possible by operating on economic basis;
- (3) An increasing use of non-tax revenues of all types. Special charges are levied for collection of refuse and garbage also.

It may be noted that till 1927 half of the total revenue of Paris was from octroi. They were on: (i) Liquids, (ii) Food, (iii) Fuel, (iv) Fodder, (v) Building materials, and (vi) Soap, varnishes and paints. The cost of collection was very heavy. From 1948 onwards, the French Parliament abolished octroi. It was later on abolished in Italy, Portugal, Austria and other continental countries.

In England, there are taxes like entry, import duty, excise duty, sales tax, etc. But, there is no tax like octroi of the type that we have got here.

COMPARATIVE POSITION IN INDIA

It will be observed that the situation in India is totally different from what we find in England, U.S.A. and other continental countries. It will take quite some time before we could establish an affluent society and find an effective substitute. Even if a substitute is tried or experimented it will be absolutely necessary to continue octroi at least in the big cities, particularly, where population is more than 3 lakhs. This is because, needs of the large cities will be tremendous and lot of finances will be required for development. The octroi may be very expensive for smaller towns and villages, in which case, substitute will have to be applied; but, so far as the big cities are concerned, it will be very risky to try substitutes. Even, so far as the transport operators are concerned, their problem will be reduced if facilities are extended after study of their problems.

So far as the Odedra Commission is concerned, it has recommended for abolition of octroi in Gujarat State. The Commission has submitted its report on January 17, 1972. It has given its recommendations in Chapter XII which states as under :

"By and large, the Commission and the Committee have held that octroi is obnoxious and should be abolished."

Even before the Odedra Commission the Ahmedabad Municipal Corporation has presented to them the case for not abolishing octroi, when its evidence was taken.

CONCLUSION

Unless we reach to the economic standards of America and U.K., where, considerable revenue is forthcoming by way of Government grants and share in tax and sizable revenue is coming from civic enterprises, it is no use thinking of complete abolition of octroi in our country.

There is a good case for continuing octroi in big cities by adopting some improvements like uniform rates of octroi, putting more responsible staff at the nakas, enforcing strict vigilance over the nakas, and giving more facilities to the transport operators by constructing the highways and ring roads which may not require unnecessary entry of transport vehicles in the city, introduction of permit system like 'M' pass, 'G' form etc. as is done in Ahmedabad (discussed earlier) and opening of current account by the transport, trade, commerce and industry.

Statement 'A'

STATEMENT SHOWING THE GROUPWISE OCTROI INCOME AND ITS PERCENTAGE FOR THE YEARS FROM
1971-72 TO 1975-76
(Rs. in Lakhs)

Group	1971-72 Income	Percentage	1972-73 Income	Percentage	1973-74 Income	Percentage	1974-75 Income	Percentage	1975-76 Income	Percentage
Foodgrains Group "A"	65.46	11.19	65.41	10.63	65.02	9.15	77.07	8.29	77.19	7.27
Cloth Yarn Group "B"	105.86	18.10	117.31	19.08	141.32	19.89	185.90	20.01	199.46	18.78
Bldg. Materials Group "C"	46.72	7.98	52.88	8.60	69.38	9.76	101.76	10.95	134.80	12.69
Provision Group "D"	46.72	7.98	51.87	8.43	78.54	11.05	104.76	11.28	121.20	11.41
Machinery Group "E"	292.33	49.98	297.91	48.45	321.71	45.28	400.19	43.09	443.91	41.81
Residuary Group "F"	27.98	4.78	29.39	4.78	34.58	4.86	58.82	6.34	85.14	8.01
Total Income	584.82		614.82		710.38		928.60		1061.72	

Statement "B"

Supplementary Budget

**AHMEDABAD MUNICIPAL CORPORATION
REVENUE INCOME**

(Rs. in Lakhs)

<i>Sr. No.</i>	<i>Account Head</i>	<i>1976-77 Estimated</i>	<i>Addition & Alteration</i>	<i>PLUS MINUS</i>	<i>1976-77 Revised Estimated</i>
1.	TAX : (a) Octroi	1,155.00	+100.00		1,265.00
	(b) Octroi Refund	— 110.00	10.00	MINUS	110.00
	Total	1,045.00	110.00		1,155.00
	(b) Other taxes	830.60	5.00		835.60
		1,875.60	115.00		1,990.60
2.	Income under Spl. Act	4.45	0.52		4.97
3.	Income from Municipal Properties other than rates and taxes	198.17	28.30		226.47
4.	Grant and contribution	218.82	59.16		277.98
5.	Misc. Income	44.21	3.46		47.67
		2,341.25	206.44		2,547.69
6.	Milk Scheme	1,310.00	— 90.89		1,219.11
6a.	A.M.T.S. Advance	—	30.00		30.00
7.	Revenue Capital Income	38.01	0.00		38.01
	Total	3,689.26	145.55		3,834.81
	Opening Balance	5.10	305.16		310.26
	Total	3,694.36	440.71		4,145.07

*Additional 100.00 lakhs have been estimated to cover up the deficit of the supplementary budget considering the proposed revision of octroi Schedule which will come into effect from 1.1.77 with the final approval of the State Government.

Statement B1

Supplementary Budget

AHMEDABAD MUNICIPAL CORPORATION
REVENUE EXPENDITURE

(Rs. in Lakhs)

<i>Sr. Account Head No.</i>	<i>1976-77 Estimate</i>	<i>Plus or Minus</i>	<i>1976-77 Revised Estimate</i>
1. Establishment	775.88	9.66 162.56	948.10
2. Contingency ordinary	29.73	10.99	40.72
3. Contingency extraordinary	69.58	12.21	81.79
4. Energy charges	161.50	8.28	169.78
5. Repairs and maintenance	164.94	85.01	249.95
6. Spl. Expenditure	101.84	38.31	140.15
7. Miscellaneous Expenditure	18.44	2.30	20.74
8. Grants	520.54	118.50	639.04
9. Contribution to Reserve fund	5.35	0.35	5.70
10. Loan charges	481.78	35.00	516.78
Total	2,329.58	483.17	2,812.75
11. Milk Scheme	1,310.00	— 43.39	1,266.61
12. Revenue Capital Expenditure	51.18	10.38	61.56
Total	3,690.76	450.16	4,140.92
Closing balance	3.60	— 9.45	4.15
	3,694.36	440.71	4,145.07

Statement "C"

**STATEMENT SHOWING THE OCTROI INCOME AND PERCENTAGE INCREASE
OF DIFFERENCE COMPARED TO PREVIOUS YEAR FOR THE YEAR
1950-51 TO 1975-76**

Levy of octroi started w.e.f. 1-7-1950.

<i>Year</i>	<i>Income</i>	<i>Percentage</i>
1950-51	2641684	---
1951-52	4668163	76
1952-53	5448666	17
1953-54	5091104	8
1954-55	5637095	10
1955-56	6283872	12
1956-57	6812433	9
1957-58	7465534	10
1958-59	10137446	36
1959-60	12522666	25
1960-61	13979853	12
1961-62	15767422	13
1962-63	17777834	13
1963-64	18980841	8
1964-65	20847972	10
1965-66	23010862	10
1966-67	31124494	35
1967-68	39470291	26
1968-69	42306166	7
1969-70	44819836	6
1970-71	50271078	12
1971-72	59609501	10
1972-73	62299244	---
1973-74	71824333	15
1974-75	92894332	29
1975-76	107426567	

Statement 'D'

**STATEMENT SHOWING THE GROSS OCTROI INCOME, ESTABLISHMENT
EXPENDITURE AND PERCENTAGE OF ESTABLISHMENT
EXPENDITURE FROM 1970-71 TO 1975-76.**

<i>Year</i>	<i>Gross Income of Octroi</i>	<i>Establishment expenditure</i>	<i>Percentage of Establish- ment expenditure to total gross income</i>
	Rs.	Rs.	
1970-71	50271078.00	1404170.00	2.79
1971-72	59833654.00	1547884.00	2.58
1972-73	62300521.00	1729984.00	2.77
1973-74	71824332.00	2009998.00	2.79
1974-75	92894233.00	2603032.00	2.80
1975-76	107426567.00	3249487.00	3.02

Some Aspects of Octroi Administration

S.M. KRISHNA MURTHY

INCIDENCE of indirect tax 'octroi' has a historical background. Manu, the law giver of ancient India, makes a mention of a tax on commodities akin to octroi. During Moghul period it was termed as 'chungli' in India and hence octroi is one of the oldest taxes of our Motherland.

Octroi is levied on entry of goods into the municipal limits of towns or cities as the case may be. These commodities should be intended for 'consumption, use or sale', in a local area. The levy is collected on the basis of weight, volume or in most cases *ad valorem*. In regard to some kinds of animals toll is collected at the check posts. The procedure of octroi collection is more or less common to all the local bodies, excepting the differences in rates, if any.

DISADVANTAGES

Imposition of octroi is opposed for several reasons. The majority of transport operators, traders and industrialists are against octroi on account of possible waste of time and harassment and the likely retarding result on progressive development of trade and commerce.

Octroi is objected as a flourishing source of corruption. At the check posts the low paid staff exercise wide discretionary powers.

Uniformity of octroi articles or rates are conspicuously absent. Local bodies of a state, much less of a nation, turn a deaf ear to this aspect and continue to maintain their separate distinctive features.

Difference in rates of octroi may help migration of trade and industry from one town or city to another.

All these points deserve to be considered in a somewhat detailed manner. Theoretical minded persons make much of the said drawbacks while practical administrators are not at all willing to forego the revenue from octroi.

(i) Harassment at check post is much magnified out of proportion. Law abiding transporters and importers having necessary documents with them as per rules have no room to complain. It is not on all days or in every month that long queue of vehicles are formed at check posts. Such instances are rare and the municipal administrators make suitable arrangements to cope with such situations. Despite the production of way bills, trip sheets,

invoices etc., some times new problems crop up because any rules cannot be expected to foresee all eventualities. In such cases the importers and operators have to be referred to the Central Office or orders from the higher authorities shall be sought for. Now-a-days telephone and other quick contact facilities are made use of to settle disputes early.

The Municipal Corporation of the City of Bangalore, has allowed with 'Account Current Facilities' to accredited importers to settle octroi once a month. Transporters are also allowed similar facility on the strength of Transit Memos. Such an arrangement is proving to be satisfactory and is becoming gradually popular as the same cuts short the wastage of time and harassment.

(ii) Low paid staff exercising wide discretionary powers at check posts and octroi offices is mentioned too frequently by the antagonists of this indirect tax.

In Bangalore the important check posts are upgraded and are manned by staff of higher cadre. Absolutely no difficulty is experienced by the importers or transporters in getting transit memos or other problems attended to. Mamools are reduced to the least possible extent. Every instance of corruption should have two sides of the giver and the acceptor. It is a known fact that corruption is kindled and flamed by selfish importer and the operator of transport.

One more aspect to be noted in this regard is that it is physically impossible to check all boxes or bundles at any check post. Unloading and reloading becomes a time consuming problem to all concerned. Surprise test checks are made and offences are dealt with as per law. Defaulting or guilty officials are not spared by the Corporation Authorities.

Instances of traders indulging in malpractices are not wanting. To give two instances: a sugar dealer imported a truck load of sugar bags into his shop in the city and without producing the connected invoice and having no branch of his shop in another city in the adjacent State demanded issue of an export pass through a counsel. A trader of electrical materials passed the papers to another trader residing just outside the Corporation limits and applied for export pass. Commodities are brought into city limits in these cases, transactions are finalised and shady applications are made to evade octroi payment. Wholesale traders and operators establish godowns outside municipal limits and attempt to smuggle goods in small quantities, during night times, that too in private cars and vans. The Detective Squads are vigilant and keep watch round the clock and traders indulging in malpractices are booked. Offenders are awarded deterrent punishment, be they big or small, irrespective of influence and wire pulling. Some businessmen are found to be labouring under a wrong notion that evasion of octroi leads to easy evasion of sales tax and escape from Income Tax. They forget the fact that these are altogether different departments and officials of each one of them are alive to the varieties of malpractices of the merchant class.

(iii) Absence of uniformity of octroi articles and rate lists of tax is a drawback worth pondering. Different localities have special features and industries. The commodities produced or conveyed in larger quantities have to be treated according to circumstances on merit of each article and this is an important reason advanced by local body administrators explaining non-uniformity. Textiles, tobacco or sugar are not produced or conveyed in same quantities throughout a State and hence differences of rates and octroi goods should continue to remain. Most advantages rates have to be evolved by each local body to derive the most beneficial revenue.

This argument apart, it is necessary to introduce uniformity at least State-wise to avoid confusion in the minds of competitive traders and transport operators. If stabilised uniform rates are introduced at least State-wise a good deal of delay in mathematical jugglery now present can be avoided.

(iv) Instances of migration of trade and industry from areas having higher rates of octroi to towns and cities having comparatively lower rates of octroi are mere guess work and very rare to be frank. This argument is put forth merely to increase the numbers of drawbacks of octroi.

ADVANTAGES

(i) It may be stated that octroi is the largest source of revenue to almost all the local bodies levying this indirect tax. Corporations and town municipalities derive 40 to 50 per cent of income from octroi, the most reliable single source of revenue. During the current financial year of 1976-77 the Municipal Corporation of Bangalore city estimates to get about Rs. 8 crores from octroi alone. In the near future there are signs of this income increasing on the basis of fresh proposals.

Suppose for the sake of argument, that octroi is abolished in Bangalore, how to devise an alternative source equally remunerative? It shall be too much to expect the state government to compensate the entire amount and order abolition of octroi outright. Expenditure incurred for collection of octroi by the local bodies range from 4 to 8 per cent only and this has to be termed as low cost.

(ii) Octroi collections are made at the time of entrance of commodities or animals into local body areas; there is no fear of unrealised tax running into arrears as in the case of other taxes. Judicious budget targets of octroi collection are reached in general by the local bodies and that is why they do not consent for the proposal of abolition of octroi.

(iii) In most cases octroi is levied on *ad valorem basis*. If prices go up octroi returns also mount up and such elasticity is reflected to the advantage of a local body at the times of inflation.

(iv) The burden of octroi is borne with invisible tears as it happens to be an indirect tax. All taxes are eventually paid by people but octroi is collected with shedding of few tears because the incidence is spread over a very wide range of the society.

(v) India is a nation of villages and local bodies have their own resources. Towns and cities require collectively crores of funds for developmental works and progressive schemes which ameliorate the living conditions of the masses or weaker sections of the society. The revenue obtained from octroi becomes useful to the citizens in general.

EXPLORATION OF ALTERNATIVES


Study groups and enquiry committees have been appointed from the time of East India Company to dive deep into the problems of octroi and suggest alternatives at State level and all India levels. The members of such bodies are mostly divided and are rarely unanimous in suggesting abolition of octroi. It appears that remedies are more complicated than the problem itself. Any alternative surcharge on Sales Tax or Terminal Tax has to be higher in percentage. The cost of collection also will have to increase proportionately.

Recently the State Government of Karnataka appointed a Municipal Finance Enquiry Committee and they have given a comprehensive report in 1975.

One of the significant and cautious recommendations made in this report reads as follows :

“Our advice to the State Government would be to defer the question of often repeated abolition of octroi since such abolition will not help holding price line or giving stability to the economy. Any alternative tax will have a cumulative burden on the large section of the people. Replacing octroi by other taxes will not remove corruption, evasion or trade difficulties. After some time if people are educated both traders and consumers will come to know that they will be paying much more than what they used to pay on octroi.”

Abolition of octroi, however, much desirable should become a matter of careful search and gradual evolution to avoid disruption of established economy of local bodies. Alternative tax proposals suggested should be equally large and remunerative and this is a complicated formidable task. Long drawn schemes and plans should be evolved by economists, traders, industrialists and administrators of local bodies, regarding the tax or taxes that should replace octroi. Before concluding it must be said, for the present, that the advantages of octroi outweigh all the known and advertised drawbacks. Retention of octroi in the case of every local body should continue to remain a financial necessity.



A Note on the Abolition of Octroi and Terminal Taxes

R.D. SONKAR

OCTROI has been the main source of income of all the local bodies from the very beginning. This is the oldest tax which dates back to the Moghul period when it formed a part of the revenues of the State and was known as 'Chungi'. Since then Chungi has been in vogue in one form or the other. Octroi which is known as Chungi is so closely related to the local bodies that most of the local bodies are still called as Chungi Offices.

The term octroi as such does not occur in the Constitution but is covered by item 52 in the State List, i.e., "taxes on the entry of goods into a local area for consumption, use or sale therein". The octroi is levied irrespective of the medium by which the goods may have been transported. The powers to impose octroi by local bodies have been given by the State Government u/s 172 (2) (Kh) of the U.P. Nagar Mahapalika Adhiniyam and Section 128 (viii) of the U.P. Municipalities Act 1916. Octroi being the major source of revenue of local bodies constitutes 50 to 60 per cent of total revenue receipts.

The budgeted income from octroi is Rs. 1.60 crores against a total revenue of Rs. 3.10 crores in the budget (1976-77) of Varanasi Nagar Mahapalika and thus the income of octroi is 51 per cent of the total income of the Municipal Corporation.

In every local body, octroi is charged on goods imported in the city for consumption, use or sale and if the goods are in transit to some other place and simply pass through the local bodies, the local bodies charge transit pass fee at the rate of Rs. 2.50 per loaded truck. The Hon'ble High Court of Allahabad quashed the transit pass rule and accordingly the realisation of transit pass fee was stayed but a large number of local bodies have framed fresh rules for imposition of tax on goods in transit and their rates have been enhanced in few cases to Rs. 4 per loaded truck.

The charges on a laden truck in transit are Rs. 2.50 in Varanasi Nagar Mahapalika and the income from this source is Rs. 7 lakhs per annum.

With a view to avoiding evasion of the octroi duties, the local bodies set up octroi barriers at the points of entry in the city and the octroi duty is

charged on the basis of a schedule framed by each local body and approved by the State Government.

The system of imposition and collection of octroi has been condemned by all the Committees appointed by the State and Central Governments and they have all found this system of taxation as vexatious and irksome and have recommended for its abolition but it has been retained as a necessary evil because no alternative source of revenue which could fetch so much revenue could be found.

Octroi is said to be a vexatious and regressive tax which falls mainly on necessities of life like food, clothing, etc. The barriers put up for the collection of octroi obstruct the free flow of traffic, trade and commerce. Different rates of octroi by different local bodies encourage the migration of trade and industries from one city to another. In spite of all this criticism against octroi, it has, however, not been possible to abolish octroi.

Now I shall discuss the octroi and transit/toll tax separately as below :

OCTROI

In Uttar Pradesh, octroi is the main source of revenue of local bodies and a large number of persons are employed in this job. The abolition of octroi will mean depriving the local bodies from sizable income and throwing a large number of persons out of employment. Octroi is a flexible source of income which automatically increases with the expansion of city and the trade and with a little increase in rates the local bodies are able to get sufficient funds for the public works.

Much can be said against every tax being imposed by the State and the Central Government and so against octroi. In other taxes of the Central and the State Government also there are cases of evasion of taxes in connivance with the staff as in octroi. Octroi being an old tax, people have got used to it and the pinch of octroi is not felt. Moreover, the rates of octroi are so low as compared to other levies that they do not affect the price and the people gladly pay it.

There is no doubt that some evils have crept in the octroi system which must be removed but it is not proper to abolish octroi because its abolition will mean abolition of local bodies in many cases and in that case the local bodies will have to be managed like any other department of the State Government because the local bodies will be left with no major source of revenue. Abolition of octroi will mean extinction of local bodies, because for want of adequate funds they will not be able to undertake the works and duties assigned to them and they would lose the position of self dependent local bodies.

The evils attached to this system can be eradicated. The following suggestions may be implemented to rationalise the system:

- (1) The octroi schedule for Mahapalika and other local bodies should be

uniform so that the transporters and the traders may have adequate knowledge of the rates and the rules thereof. Uniformity of rates will also remove the possibility of shifting of trade and business from one city to another.

Exception may be allowed only in respect of raw materials which is imported in a particular city for some localised industries.

(2) The octroi schedule should be exhaustive and should not give any scope to the lower staff to assess it in their own way.

(3) Octroi being a major source of revenue to local bodies, the Government should not allow any exemption to the import of any good and even the goods imported by the Central and the State Government should be charged octroi. There is no basis for the exemption of the goods of Central and State Government from payment of octroi when no reciprocal benefit is allowed to the local bodies by the Central and the State Governments.

TRANSIT/TOLL TAX

As stated above the goods in transit which pass through a local body are charged transit pass fees or toll tax at different rates in different local bodies. This is a major source of income of smaller local bodies which are situated on the National Highways. It is true that long route truck operators have to stop at one end of the barrier and they pay transit or toll tax at the time of entry and have to give certificate at the time of exit. It is also true that one or the other local body falls within 60 kilometers and so naturally the truck operators have to stop at a number of places which affects the flow of traffic. This system should go and the truck operators passing through local bodies should not be made to pay at every local body but the truck operators should show respective documents at one end of the barriers. This loss to the local body caused by abolition of this tax should be compensated by the State Government from the income that they derive from the road tax.

The Government may levy a surcharge of 100 per cent on motor vehicle tax on trucks and stage carriages and 50 per cent surcharge on motor vehicle tax on motor cars and other light vehicles. The income so pooled in the district should be distributed amongst the local bodies situated in the district according to their population.



Levy of Octroi in Andhra Pradesh

PREMCHAND

THE levy of octroi by all types of local bodies, viz., Municipal Corporations, District Municipalities, District Panchayats, Taluka Panchayats, Nagar Panchayats, Gram Panchayats is hampering the movement of goods from one place to another and is becoming an impediment in the growth of trade, commerce and industrial activity of the country. In view of this the levy of octroi may be restricted to certain types of local bodies alone.

Although local bodies are charged with a number of duties to be performed, they suffer from financial difficulties. The Constitution of India divides the Public revenues into three parts under: (1) Union list, (2) State list, (3) Concurrent list. The local bodies do not find any place in the division of public revenues enunciated in the Constitution. But the State is authorised to allot any resources at their discretion to local bodies, out of the State's share of public revenue. There is no provision in the Constitution making it obligatory for the State, to hand over particular source of income, to local bodies. Thus the local bodies shall have to depend upon the mercy of the State. Amongst the sources of revenues provided in the State list, that can be transferred to local bodies, octroi alone is growing and productive tax. There is no alternative to octroi as it is financially most productive item of indirect taxation. As presumed, the levy of octroi is not a source of embarrassment for the public, as it is an indirect tax to which the people are accustomed from time immemorial.

SUGGESTIONS FOR LEVY

This tax is paid by traders who have the capacity to pay and the rate of octroi is also very low. There is no resistance to the levy from the general public but there is unanimous opposition from traders. The following local bodies alone may be authorised to levy and collect octroi, by providing suitable provisions in their respective statutes: (1) City Corporation. All the City Corporations in India may be authorised to levy and collect octroi. The statutes should have the provision to levy this tax compulsorily. This is suggested in respect of City Corporations keeping in view, the area, population and nature of functions and duties entrusted on account of the importance

of the cities, which play a commendable role in the States. Further the octroi duty which is a progressive and productive tax may facilitate the local body in meeting the ever-increasing demands and duties, without becoming an additional burden upon the citizens; (2) District Municipalities which also have varied types of duties as in the case of City Corporation may be authorised to levy octroi by the State. In this case the levy of octroi may not be made obligatory but discretionary and optional. Suitable provisions to this effect may be incorporated in the statutes. This tax can be levied and collected by the District Municipalities only with the approval of the State Government which will take into account: (1) the necessity of imposition of octroi, (2) the financial position of the Municipality, (3) the relative responsibilities and duties cast upon the citizens on account of its geographical and historical conditions, (4) the remaining types of local bodies may not be allowed to levy the octroi. At present no uniform policy or procedure is enshrined by different types of local bodies. This disparity should be eliminated.

EXEMPTIONS

The exemption from levy of octroi on various goods by different types of local bodies should be uniform. The following goods should be exempt from payment of octroi.

- (1) Passenger's luggage and parcels under 25 kgs in weight and Rs. 100 in cost.
- (2) The goods donated for religious, educational and charitable institutions.
- (3) Raw material, semi-finished goods, plants and machineries.
- (4) The goods imported by the Government and Government undertakings for public purposes shall be exempt but the Government, should make a contribution in lieu of such taxation.
- (5) The goods imported for defence services.
- (6) The goods imported for relief measures.
- (7) The goods intended for agriculture and its development, viz., seeds, fertilizers, agriculture implements, etc.

RATE OF LEVY

At present the schedule of rate of octroi varies from state to state and from one local body to another within the same state in respect of the same article. These variations should be avoided. Since the levy of octroi is the state subject and the state authorises the local body to collect, the statute while authorising the local body shall prescribe the maximum and minimum, so that the local bodies in one state may not levy octroi at different rates.

Levy of octroi on the basis of either weight, count or on the basis of

ad valorem alone cannot be adopted in respect of all the goods. Octroi may be levied on goods necessary for consumption on the basis of weight in which case the burden upon the common man as consumer shall be less. It may be levied on the basis of *ad valorem* in case of luxury goods for the burden of this which is high shall fall upon the persons who can afford to pay. In this regard :

(1) The persons-in-charge of goods may be made liable for wrong declarations in respect of goods imported and highest possible punishments may be imposed.

(2) In respect of goods upon which octroi is levied on *ad valorem* the invoices should be produced at the time of importing the goods. In the absence of which the staff may be authorised to assess the valuation on the basis of prices prevailing at the time of import, which have to be fixed by the competent authority of the local body and which may be revised from time to time. This is necessary not only to avoid the difficulties on account of non-production of invoices but may minimise the chances of corrupt practices.

(3) Physical verification of the goods at the time of import is not possible when the carriage or truck contains different varieties of goods, in which case, the responsibility of wrong declarations shall be upon the carriers who shall invariably give the list of goods carried in the carriage giving particulars, viz., description of the article, weight, valuation, etc. This is necessary because firstly each and every truck carrying such goods cannot be unloaded; secondly, it involves the time taken for unloading and reloading; thirdly, the public criticism of harassment; fourthly, the delay involved may hamper the growth of trade, commerce and industry.

Transit pass system is the best and most convenient system in respect of goods which are in transit. The goods which are intended for immediate export and are destined to a place outside the limits of octroi cordon, shall be dealt with under the transit pass system which shall be issued in respect of taxable goods on levy of certain fee and by deputing a Jawan to the barrier through which they are intended to be exported to reach the place of destination. These goods shall reach the barrier of export within the period fixed.

This is a simple procedure which does not involve any godown and additional expenditure on account of maintenance of godowns. The godowns if established will be similar to railway godowns, wherein many complaints in respect of loss of goods, damage of goods, misplacement of weigh bills are subsisting.

CORRUPT PRACTICES

The following are the probable means of indulging in corrupt practices.

(1) In respect of goods for which octroi is levied and collected on *ad valorem* basis, the staff engaged may have scope for certain manipulations, for prices of goods are fluctuating and in the absence of standard rates fixed

by the local bodies, the staff may harass and assess the goods according to their fancies.

(2) The goods imported on transit pass system will have a specific period, within which the goods will have to be exported through other barrier. In case of delay, the staff may indulge in corrupt practices and allow the goods to pass through taking entries as if the goods are exported in time. This happens when there is difficulty in getting extensions.

(3) The goods meant for consumption, in connivance with the staff are taken on transit pass on wrong declaration to the effect that they are destined to some place outside the octroi cordon, and are unloaded within the limits of the local bodies, getting the entries posted in the export barrier.

(4) Re-export system : goods meant for temporary retention are imported through re-export pass system. The pass holder who has to make a security deposit shall have the right to export the goods from time to time within the specific period. The goods of re-export are usually mixed up with other goods in which case the staff may certify that the goods are exported, without verification (by accepting illegal gratification) or with verification in which case, the exporter may experience lot of inconvenience and delay.

(5) The goods imported on re-export pass system may also be consumed within the city limits but the pass holder in connivance with the staff may get the certificate that the goods are exported.

The parties exporting the goods on transit pass system should have easy approach to the authority competent to grant extension of time prescribed.

WRONG DECLARATIONS

The punishment on account of wrong declarations should be severe so that the importer may not repeat the same in collusion with the staff. Staff also should be punished suitably.

The importers or transport operators may be compelled to give duplicates of weigh bills and inventory of goods along with the original—original may be stamped and returned to the operators in token of the fact that they are presented at the import barrier. The duplicate may be for the import barrier and the staff which may facilitate the checking by the Inspectors and superior officials to detect omission if any. This insistence of production of weigh bills, etc., may minimise complications and difficulties. Weigh bridges may also be provided at barriers to ascertain correct weight.

Actual harassment is less but criticism of trader is more probably on account of the fact that the correct figure of import of goods by traders is brought to lime-light which may reveal the evasion of sales-tax and income-tax. Harassment is much less when compared to other forms of taxes. It arises equally from the officials and staff who are corrupt and traders who involve in corrupt practices.

The evasion in any taxation structure is due to the collusion and conni-

vance of the assessors and assessees. This is not something which is new and novel in the case of octroi.

Evasion may be (1) without touching the barriers or check posts established, (2) with the connivance of the octroi staff, (3) with wrong declarations of goods, (4) declaring the goods taxable as non-taxable (consignments of which cannot be verified in case they are imported in vehicles containing mixed goods); (5) on account of non-presentation of the relevant weigh bill at the import barriers.

The evasions can be checked by employing special squads, who shall check the goods at the time of unloading at market places, godowns. The staff should check about 60 to 75 per cent of the goods imported, which will create a scare amongst the importer who on account of heavy compounding, may not resort to such illegal tactics.

STAFF

The staff should be posted in proportion to the transaction and number of vehicles passing through the barrier, *i.e.*, barriers shall be classified as 'A', 'B' and 'C'. Assistant Octroi Superintendents and Inspectors shall always be available at 'A' class barrier. At 'B' class barrier inspectors shall be present and 'C' class barriers shall be manned by the clerks. However, Assistant Octroi Superintendents shall visit once daily each 'B' and 'C' class barriers. 'A' class barriers should have the facility of telephonic communications which helps in communicating the message of evasion.

Shift system should be on the basis of 24 hours as prevailing in sales tax check posts in Andhra Pradesh.

Transfers of staff should be made once in three months.

The octroi is levied upon goods imported into the limits of a local body for consumption, use or sale. It is not levied upon the goods which are for immediate export or exported in bulk after certain duration. It is also not levied in respect of goods that are exported from the limits of local body. Thus there is very little truth in saying that the levy of octroi affects the growth of trade, commerce and industrial activity. The criticism from the traders and from those who are interested in traders is more. The chambers of commerce throughout the country are unanimous in their opposition to octroi, stating that it hampers trade and causes unnecessary harassment. These blames and charges upon the octroi are without reference to relevant facts and statistics for :

(1) Octroi is not collected upon raw materials which are imported for manufacture of goods and export which will not have any adverse effect upon the growth of industrial activity.

(2) The introduction of re-export pass system does not hamper the trade done within the limits of local body with the purchaser who is dealing outside the limits. The wholesalers will be having the facility to store the goods for certain period and export the same to outside trader without levy of octroi.

(3) Transit pass system gives the benefit to wholesalers and commission agents to book the goods from one place to another (outside the limits of local bodies).

(4) The octroi is levied at low rates upon essential commodities and the rates are usually high upon luxury goods.

The difficulties on account of physical verification of goods may be eliminated in case, such carriers are sent to the central barriers established in the city for the purpose of detection of goods evaded, who will check the goods at the time of unloading and collect octroi. This shall be resorted to when it is indispensable and doubts about the goods arise.

The octroi staff shall be posted with the day-to-day fluctuations in prices and the local bodies should fix the standard rates of prices of the commodities at least once in a quarter year. The local bodies should also conduct refresher courses to educate the employees about the calculations, for inadequacy of knowledge will certainly cause great delay and inconvenience.

To obviate the difficulties that are to be encountered by the transport operators on account of bonafide omissions at the time of oral declarations, the transport operators shall keep weigh bills in duplicate, the one intended for the octroi department and the other for return with the seal of import barrier to the effect that the same is presented. The omission of collection in such cases will be the responsibility of the octroi staff alone and the transport operators may not be liable for compounding. If they do not present intentionally any weigh bill they will be liable for compounding.

As already pointed out, octroi is the major source of revenue for local bodies. Octroi is financially the most productive single item of indirect tax and there is no alternative or substitute in place of octroi. The levy of octroi is recommended on the following grounds:

- (1) It is a growing tax.
- (2) It is an indirect tax, the burden of which is very low when compared with other sources of revenues. Its incidence is originally upon the traders who have the capacity to pay.
- (3) The basis of assessment and levy is very simple, and real. It is not complicated as in the case of other taxes.
- (4) It has an elastic yielding capacity and depends directly upon the commercial activity of traders and increase of prices of goods. Income from octroi depends also upon the increase in consumption which is in direct proportion to the increase in population of a local body with the result there is no necessity to increase the rate of tax from time to time which have a direct effect upon the tax payer.

Thus the automatic adjustment of octroi, without altering the rates deserves special consideration for its levy in view of the fact that it is in proportion to the increase in population, increase in consumption and variation in price.

CONCLUSION

In the State of Andhra Pradesh, steps for abolition of octroi have been taken due to the following main reasons :

- (1) Harassment of public by octroi establishment.
- (2) Ineffective procedure in arriving at the correct levy.
- (3) Leakage of revenue at various stages due to corruption and other malpractices.

The State Government of Andhra Pradesh experienced that octroi is no doubt a growing tax but it has got more of demerits and has, therefore, abolished the levy of octroi with effect from April 1, 1965. The Government have paid compensation to the Municipalities concerned in lieu of this levy for 10 years from April 1, 1965 to March 31, 1976 based on the average income under this head derived by the local bodies during the three years preceding to April 1, 1965. A decision has to be taken by state Government whether to continue the payment of compensation from April 1, 1976 onwards or to reintroduce the octroi levy or to take an alternative step to augment the finances of the Municipal Council. The issue is under active consideration of the Government.



Abolition of Octroi in Madhya Pradesh

Y. N. CHATURVEDI

Generally speaking the local bodies' power of taxation is identical with that of the State Governments'. Section 127 (I) (xxiii) of Madhya Pradesh Municipalities Act 1961 reiterates this by stating:

'A Council may impose in the whole or in any part of the municipality any of the following taxes, ...

(xxiii) any other tax, which the State legislature has power to impose under the Constitution of India'. Under the same section 127 (now amended) municipalities were given power to levy octroi. Relevant subsections were :

'(v) an octroi on animals or goods brought within the limits of the municipality for sale, consumption or use within such limits;

(xvi) a terminal tax on goods or animals imported into or exported from limits of the municipality.'

There was a similar provision in the M.P. Corporations Act. On 30th April 1976, out of 6 Corporations, 181 municipalities and 23 notified area committees in Madhya Pradesh, 23 municipalities and notified area committees did not have octroi. Total income from octroi to all the local bodies levying octroi in 1974-75 was Rs. 13.07 crores and in 1975-76 was Rs. 17.70 crores.

An ordinance to abolish octroi with effect from May 1st, 1976 was issued in the last week of April 1976. The Government of India have been pressing the State Government continuously for last ten years to abolish octroi. The Masani Committee on the problems of Road Transport and the Keskar Committee on the Road Transport Taxation in mid-sixties had recommended abolition of octroi and this recommendation was accepted by the Government of India. The pressure on the State Governments from the side of the Government of India, the road transporters and the business community has been continuous and has mounted with time. It is ironic that a recommendation which so vitally affects the local bodies was made in reports which did not pertain to the working of local bodies and in finalising which the point of view of or finances of local bodies was not considered.

However, the evils associated with octroi are so well-known that it did not require much persuasion to make the State Government take the view favouring abolition of octroi. The main hurdle was how to find resources to

compensate local bodies for the loss of income consequent on the abolition of octroi.

In 1967-68 a Committee comprising of both administrators and legislators and headed by Shri Shyam Sunder Shyam, M.L.A., recommended abolition of octroi and its substitution by an entry tax to be assessed and collected by local bodies on the basis of returns filed by registered traders. It would have ensured removal of all barriers on the roads. The Committee recommended widespread exemptions from proposed entry tax and reduction in rates. Its recommendations suffered from the serious defect that its contentions that rates of entry tax could be cut and exemptions given on large scale without affecting the total income as also that the staff consisting of almost wholly of peons and clerks could handle an entirely different nature of collection procedure which involved adjudication in quasi-judicial proceedings, were not supported by detailed calculations, projections or analysis of pertinent data. The report was therefore not acted upon.

In July 1971 the cabinet decided in principle to abolish octroi and appointed a committee consisting of Finance Secretary, Secretary, Local Government Department and Sales-Tax Commissioner to work out details. The Committee, however, pointed towards formidable problems in mobilizing enough resources to compensate for octroi and after reviewing them the Cabinet decided in May 1972 not to go ahead with abolition of octroi.

At the time of Chief Ministers' Conference in March 1976 the Chief Minister announced the resolve of the State Government to abolish octroi. An ordinance was accordingly issued and octroi was abolished from May 1st 1976. With this about 750 road barriers in the State were removed on 1st of May and traffic flowed much more freely on roads. There are Sales Tax, food and minor forest produce barriers, of which the last named are quite numerous, but vehicles are not required to stay there for any considerable length of time.

Octroi had the great merit that there could be no arrears out of the assessed demand. In the entry tax and turnover tax now operative, there would be some arrears always. Also since the right of the local bodies that were not levying octroi to levy it in future has been taken away, they also have to be suitably compensated for loss of their prospective income. So, the rates of entry tax and turnover tax have been so determined that they are not much too different from octroi rates and yield about 20 crores a year so that even if part of it remains in arrears, enough comes by to pay the local bodies in full.

By an Act (No. 52 of 1976) it has been provided that specified goods suffer entry Tax at specified rates and the proceeds, after deduction of collection charges, go to a specially created 'Octroi Compensation Fund'. In addition, this fund will also receive 60 per cent of income, after deducting collection charges, from turnover tax, which was in force before and of which rates have been enhanced.

Octroi provided daily income. In order that the ways and means position of local bodies may not suffer adversely it was intended that compensation would be paid in monthly instalments, payable in advance every month. However, it is now so arranged that the monthly instalment is paid by bank draft in the first week of the following month. To simplify matters it is proposed that the bill for drawal of the monthly amount is endorsed to the State Bank before 25th of every month and not payable before the coming 1st and the bank then effects payment by account transfer to local bodies before 5th of every month. Rules for creation of octroi compensation fund and for payment of compensation to local bodies are being finalised. At the time of abolition of octroi it was represented to the State Government that octroi constituted about 60 per cent of all income of the local bodies and its abolition would adversely affect the capability of the local bodies to effectively manage their affairs and, hence their autonomy. To meet this point, property tax, which was being levied and collected by the State Government, and 60 per cent of the net proceeds being paid to local bodies in towns of more than 10,000 population, was transferred to the local bodies but in the Act itself the rates have been specified, which is much less than the previous rates in which the slabs ranged between 10 per cent and 20 per cent of annual letting value. It is thought that with lower rates evasion will be less and so total income from property tax would not suffer. So, although the property tax is now with the local bodies, it is not a flexible source and local bodies lack the power to determine its rates.

A tax called the 'Passenger Tax' is widely levied in Madhya Pradesh. It is on passengers travelling by road by public transport. It was collected at octroi check posts. With the abolition of octroi the check posts have been abolished and the recovery staff has been disbanded. It has been laid down that passenger tax would henceforth be collected at bus stands and necessary staff, out of the surplus caused by abolition of octroi, has been provided. Now the cost of collection is substantial as a proportion of gross income from passenger tax and evasion of this tax has also increased because many passengers board and alight between the bus stand and limits of the town. Thus abolition of octroi has by association diminished income from Property Tax and the Passenger Tax. To what extent income from these two taxes has gone down will be known precisely after March 1977 when figures of income from both the taxes become available.

About 6,000 persons, of whom about 60 per cent were peons and the remaining clerks (moharrirs), engaged in collection of octroi have become surplus. Simultaneously, while abolishing octroi the Government directed the local bodies not to retrench any staff just then and people started drawing their pay without there being any work for them from 1st May. Since then district committees headed by the District Magistrates and the representatives of local bodies have been constituted to screen the surplus staff and absorb them, on being found suitable, against: (a) sanctioned but vacant posts

in the local bodies, (b) sanctioned posts needed for collection of Property Tax and Passenger Tax.

The local bodies are being paid Rs. 1.50 crores monthly by way of compensation, those which were not levying octroi on the date of abolition are being paid an ad-hoc amount of Rs. 10,000 per month and the others an amount 1/12 of actual income from octroi in 1975-76. The compensation is also paid for the staff engaged in collection of octroi—so the local bodies are not being subjected to any additional burden in keeping that staff. In reality, this surplus staff is getting paid in return for less than adequate work and from that point of view is a burden now. It may be mentioned here that the possibility of retrenchment of staff which can not be absorbed as above has not been ruled out by the Government.

There has not been actual financial loss to local bodies as a result of abolition of octroi, unless one counts some of the pucca check-posts that have been rendered useless now (as a matter of fact most of these have been let out as tea shops) but it has been a substantial psychological loss. The executive power of local bodies has been greatly reduced and somehow many councilors seem to have convinced themselves that there has been an actual loss of income because they frequently plead inability to take up new work or project because 'octroi has been abolished'.

The financial burden on the State Government has accrued in more ways than one. With the monthly payment to municipalities and income from entry and turnover tax coming in quarterly at best, the Government's ways and means position is adversely affected to the tune of Rs. 1.50 crores monthly. Also, whereas the local bodies will be required to be paid in full the burden of unrecovered amount will have to be borne by the State Government. Lastly, and perhaps most significantly, the Government's ability to mobilize additional resources for future developmental activity has been exhausted to the extent entry tax and turnover tax take it out of the pocket of the citizenry.

It would be a very wrong impression if it is felt that abolition of octroi has resulted in disadvantages and hardships only. Actually many benefits have already accrued. The Property tax has come back into the pail of the local bodies and although rates have been prescribed by the State Government, there is hope for future that local bodies may get the power to determine these rates. The traffic on the roads is much more free now resulting in obvious advantages. Most important, perhaps, from the point of view of the local bodies is that the shock has made them better aware of the need to recover other taxes diligently and impose new taxes or increase rates of old ones wherever feasible. With the octroi fetching steady and handsome income the local bodies were neglecting the work of mobilizing other sources of revenue and were very tardy in recovery. The recovery, which was generally between 30 per cent and 50 per cent of the demand is already between 40 per cent and 80 per cent of the demand which has become due this year. It is the aim that recovery should be about 80 per cent in all local bodies this year. Another

thing which can not be denied is that octroi was a great source of corruption in local bodies and with its abolition the temptation to corruption will be much less and it will be possible to get all the attention to other more constructive and overdue activities.

Abolition of octroi has benefited the business community in general and the road transport industry in particular. It was said in Taxation Enquiry Committee Report that a truck stops for about 6 hours daily at octroi check posts and this caused a loss of about Rs. 8 crores annually. Now the amount under that estimate would probably be Rs. 20 crores. So, this amount is the gain to road transporters. Additionally, the Government is paying Rs. 1.50 crores to the local bodies whereas it would recover from the traders at best only quarterly. It means that the business community in the State has an interest free loan of Rs. 4.50 crores or more from the State Government. It was often alleged, with some truth, that income to local bodies from octroi is only half the amount recovered from the traders, the other half goes into the pockets of persons involved. If it was so, the business community has saved another Rs. 9 crores yearly because now it does not have to pay it. For all these reasons the road transportation costs and general price index should have come down sharply in Madhya Pradesh. The incidence of entry tax and increase in rates of turnover tax should not cause any difference in price level as to that very extent incidence of octroi has been reduced. However, the price index in the country and in Madhya Pradesh before and after abolition of octroi has been as shown below :

<i>Months (1976)</i>	<i>Price Index in the country</i>	<i>Price Index in Madhya Pradesh</i>
January	290.0	332.6
February	288.3	320.9
March	282.9	292.0
April	288.5	301.0
May	292.3	305.5
June	296.3	313.7
July	—	340.1

Clearly the business community has not passed on to the consumer by and large any of the benefits accruing to it consequent on the abolition of octroi. Incidence of taxation on road transport operators, who are the biggest gainers, has not increased at all.

From the point of view of local bodies there is some cause of apprehension, which we all hope does not materialise. To the extent the local bodies have lost power to determine and mobilize a very large segment of their total resources, their autonomy has shrunk and with diminishing executive authority, associated with assessment and collection of octroi, their power to

influence and determine local affairs has also diminished. Although it is stipulated that entry tax and turnover tax would yield more and more every year just as octroi did and so local bodies would be adequately compensated in this regard also but whether it so happens has to be seen. The financial crises recur and they have been occurring rather more frequently in the near past, and if there was to be one in future would the Government keep the level of compensation to local bodies intact when it is being forced to make wide ranging cuts all round? There is no formal commitment on the part of the Government to pay a certain amount as compensation or to ensure a certain yearly growth in amount under compensation. However, the expressed intention of the Government is undeniably this.

To sum up, abolition of octroi has made road transport in Madhya Pradesh more free and profitable and business community has substantially gained. The State Government has done this at considerable cost to itself and at the cost of adversely affecting the autonomy of the local bodies. The ordinance issued in April took the shape of an Act of legislature in August and so the assessment and recovery has barely started yet. How much money is fetched by new or changed taxes can not be accurately predicted yet. The trend will become apparent by March 1977 and the exact position will be known probably only after first two years of implementation are over, *i.e.*, by March 1978. There has been a lingering impression and hope that the Government of India would come up with assistance to make good the loss due to abolition of octroi, but as yet it has not materialised.

ANNEXURE

मध्यप्रदेश राजपत्र. दिनांक 6 अक्टूबर 1976

MADHYA PRADESH ACT
No. 52 of 1976

**THE MADHYA PRADESH STHANIYA KSHETRA ME MAL KE
PRAVESH PAR KAR ADHINIYAM 1976.**

(Received the assent of the Governor on the 2nd October 1976, assent first published in the "Madhya Pradesh Gazette" (Extraordinary), dated the 6th October, 1976).

An Act to levy, in lieu of octroi tax in a more convenient manner, a tax on the entry of goods into a local area in Madhya Pradesh for consumption, use or sale therein.

Be it enacted by the Madhya Pradesh Legislature in the Twenty-seventh Year of the Republic of India as follows :—

Short Title and Commencement

1. (1) This Act may be called the Madhya Pradesh Sthaniya Kshetra Me Mal Ke Pravesh Par Kar Adhiniyam, 1976.

(2) It shall be deemed to have come into force on the 1st day of September, 1976.

Definitions

2.(1) In this Act unless the context otherwise requires, :

- (a) "entry of goods into a local area" with all its grammatical variations and cognate expressions means entry of goods into that local area from any place outside thereof including a place outside the State for consumption, use or sale therein;
- (b) "entry tax" means a tax on entry of goods into a local area for consumption, use or sale therein levied and payable in accordance with the provisions of this Act;
- (c) "law relating to local authority" means the Cantonment Board Act, 1924 (No. 2 of 1924), the Bhopal State Town Area Committee Act, 1954 (No. 25 of 1954), the Madhya Pradesh Municipal Corporation Act, 1956 (No. 23 of 1956), the Madhya Pradesh Municipalities Act, 1961 (No. 37 of 1961), the Madhya Pradesh Panchayats Act, 1962 (No. 7 of 1962) or the Madhya Pradesh Nagar Tatha Gram Nivesh Adhiniyam, 1973 (No. 23 of 1973) as the case may be;
- (d) "local area" means the area comprised within the limits of a local authority;

- (e) "local authority" means authority constituted under a law relating to local authority but shall not include a Janapada Panchayat, a Zila Panchayat, a Mandal Panchayat or such other local authority as the State Government may, by notification, specify;
- (f) "local goods" in relation to a local area means goods of local origin as distinct from goods which enter into that local area;
- (g) "Sales Tax Act" means the Madhya Pradesh General Sales Tax Act, 1958 (No. 2 of 1959);
- (h) "taxable market value" for any period in relation to a dealer in respect of the local area wherein he has effected—
 - (a) entry of goods specified in Schedule II for consumption, use or sale therein; or
 - (b) entry of goods specified in Schedule III for consumption or use but not for sale therein,
means the market value of such goods acquired or obtained by him in the course of his business during that period otherwise than by way of purchase and the market value of the stock of such goods at the commencement of such period, after deducting therefrom the following market value, namely—
 - (i) market value of such goods exempted under section 10;
 - (ii) market value of such goods in stock at the end of such period; and
 - (iii) any other market value of such goods as may be prescribed;
 Provided where the entry tax in relation to such goods is not levied on ad valorem basis but is levied on the basis of any other unit, the total number of such units shall be taken in to account in place of the market value and the total number of units in respect of which entry tax is payable would be the taxable market value for such goods;
- (i) "taxable purchase value" for any period in any relation to a dealer in respect of the local area wherein he has effected entry of goods means, —
 - (1) that part of the aggregate of the purchase value of the goods specified in Schedule II for consumption, use or sale therein during that period inclusive of the purchase value of the stocks of such goods at the commencement of such period; and
 - (2) that part of the aggregate of the purchase value of the goods specified in Schedule III for consumption or use but not for sale therein during that period inclusive of the purchase value of the stocks of such goods at the commencement of such period, after deducting therefrom the following purchase values, namely :
 - (i) purchase value of such goods exempted under section 10;
 - (ii) subject to proof in accordance with section II, purchase value of local goods which have been sold in the same local area in

- relation to which such goods are local goods;
- (iii) subject to (ii) above, purchase value of goods specified in Schedule II which have been purchased from a registered dealer;
 - (iv) purchase value of goods specified in Schedule III which have been sold or which have not been consumed or used as raw material;
 - (v) purchase value of such goods in stock at the end of that period; and
 - (vi) any other purchase value of such goods as may be prescribed;
- (j) "taxable quantum" in relation to a dealer means the aggregate of the taxable purchase value and the taxable market value;
- (k) "turnover tax" means the tax levied under section 7-B of the Sales Tax Act;
- (l) "value of goods" in relation to a dealer or any person who has effected the entry of goods into a local area shall mean the purchase value of such goods, that is to say, the purchase price at which such dealer has purchased the goods inclusive of charges borne by him such as cost of transportation, packing, forwarding and handling charges, commission, insurance and the like or if such goods have not been purchased by him, the market value of such goods, as the case may be.
- (2) All those expressions, other than expression "goods" and "sale" which are used but are not defined in this Act and are defined in the Sales Tax Act shall have the meanings assigned to them in that Act.
- (3) Any reference in this Act to the expression "has effected entry of goods" with its grammatical variations and cognate expressions, whether used in isolation or in conjunction with any other words shall, wherever necessary, be construed as including a reference to "has caused to be effected entry of goods."

Incidence of Taxation

3. (1) There shall be levied an entry tax —
- (a) on the entry in the course of business of a dealer of goods specified in Schedule II, into each local area for consumption, use or sale therein; and
 - (b) on the entry in the course of business of a dealer of goods specified in Schedule III, into each local area for consumption or use of such goods as raw material and not for sale therein.

and such tax shall be paid by every dealer liable to tax under the Sales Tax Act who has effected entry of such goods :

- Provided that where a dealer who is liable to pay entry tax under clause
- (b) on the goods which have been purchased by him in the circumstances

in which such dealer is liable to pay turnover tax on the purchase price thereof or which have been purchased by him from any other dealer who is liable to pay turnover tax on the sale price thereof such dealer shall be entitled to a set off in the amount of entry tax payable by him of an amount equal to the turnover tax levied on such purchase price or sale price as the case may be :

Provided further that notwithstanding anything contained in this Act where a registered dealer in the course of his business, purchases goods from a person or a dealer other than a registered dealer who has effected entry of such goods into the local area prior to such purchase, the entry tax shall be paid by the dealer who has purchased such goods.

(2) There shall be levied an entry tax on the entry into each local area of such of those goods specified in Schedule II, or Schedule III as may be notified by the State Government, for consumption, use or sale therein, if such entry was effected in the circumstances other than those mentioned in sub-section (1).

Provided that entry tax under this sub-section shall not be levied on the entry of such goods if it is proved to the satisfaction of the assessing authority that such goods have already been subjected to entry tax or turnover tax or that either of these two tax is liable to be paid by any other person or dealer.

(3) The entry tax levied under sub-section (1) and sub-section (2) shall be paid on the value of such goods.

(4) No entry tax shall be payable on the goods specified in Schedule I.

(5) The State Government may, by notification, amend Schedule I, so as to include therein any goods not already specified therein and may, by a like notification, amend Schedule II or Schedule III to exclude therefrom the goods so included in Schedule I and thereupon Schedule I and Schedule II or Schedule III, as the case may be, shall stand amended accordingly.

Rate at Which Entry Tax to be Charged

4. (1) The entry tax payable by a dealer under this Act shall be charged on his taxable quantum relating to goods specified in Schedule II and Schedule III at the rate mentioned in the corresponding entry in Column (3) of the said Schedules :

Provided that notwithstanding anything contained in this sub-section and subject to such conditions and restrictions as may be prescribed:

- (i) the entry tax payable in respect of goods specified in Schedule II or Schedule III which are used as raw material for the manufacture of other goods shall be one fourth percent in the case of the goods mentioned at serial No. 6 of Schedule II and one-half per cent in respect of other goods; and
- (ii) where any dealer contravenes any of the conditions or restrictions or has not consumed or used the goods as raw material in that local

area he shall be liable to pay as entry tax an amount equal to the difference between the entry tax payable at the full rate as mentioned in Schedule II or Schedule III, as the case may be, and the concessional rate of such tax mentioned in clause (i) above;

Provided further that where goods specified in Schedule II which have suffered entry tax at the full rate have been purchased by a registered dealer for use by him as raw material in the manufacture of other goods, such dealer shall on the production of such proof and in such manner, and subject to such restrictions and conditions as may be prescribed, be entitled to a set off or refund, as the case may be, equal to the difference between the entry tax payable at full rate mentioned in Schedule II and the concessional rate mentioned in the first proviso at which tax is levied on raw material, on such proportion of the price at which he had purchased the goods, as may be prescribed.

(2) The State Government may, by notification, declare that the entry tax on the goods specified in the notification shall, in the circumstances specified therein, be recovered on a basis other than on the value of goods and thereupon the entry tax shall be charged on such goods on that basis as if it were the rate of entry tax specified in respect of the entry of goods into the local area in such circumstances.

Dealer to Furnish Declaration

5. (1) Every dealer who during the course of his business effects entry of goods specified in Schedule II or Schedule III into a local area shall furnish a declaration in respect of such goods to such authority in such manner, within time and in such form as may be prescribed.

(2) A dealer who fails to furnish a declaration as required by sub-section (1) or fails to furnish a declaration within the time prescribed or files an incomplete or an incorrect declaration shall be liable to such penalty not exceeding rupees one thousand as may be prescribed.

Principles Governing Levy of Entry Tax on Dealer

6. The entry tax payable by a dealer under sub-section (1) of section 3 shall be levied in accordance with the principles stated below :

- (a) entry tax shall not be payable unless the dealer effects entry of goods specified in Schedule II or Schedule III into a local area;
- (b) where any such goods are consumed, used or sold in a local area by a dealer, it shall be presumed until the contrary is proved by him, that such goods had entered into that local area for consumption, use or sale therein;

- (c) when a dealer purchases goods specified in Schedule II or Schedule III in a local area from a person or a dealer who is not a registered dealer, it shall be presumed unless the contrary is proved by him, that the entry of such goods had been effected by him into such local area before they were purchased by such dealer;
- (d) no entry tax shall be payable on goods sold outside the State within the meaning of clause (i) of sub-section (1) of section 50 of the Sales Tax Act;
- (e) all records, documents, account books, information and any other material produced before or used by the assessing authority for the purpose of an assessment of tax on a dealer under the Sales Tax Act, may, as far as may be and to the extent relevant for the purpose of this Act form the basis for levy of entry tax on that dealer under this Act;

Provided that the assessing authority may call for or use such additional information for the purpose of assessment under this Act as it may deem necessary.

Registered Dealers to Exchange Declarations in Respect of Local Goods

7.(i) Every registered dealer who, in the course of his business, manufactures, produces or grows any goods specified in Schedule II in a local area in such manner that the goods become local goods in relation to that local area, shall, on the sale of such local goods to any other registered dealer exchange declarations with him, as provided in sub-section (3).

(2) Where the goods mentioned in sub-section (1) are purchased and sold in the course of their business by a chain of registered dealers the selling and purchasing registered dealers shall exchange declarations as provided in sub-section (3):

Provided that where the goods are purchased by a registered dealer whose place of business is outside the local area in relation to which the goods are local goods, it shall not be necessary for such registered dealer to exchange any declaration in respect of the disposal of such goods subsequent to such purchase.

(3) The declarations referred to in sub-sections (1) and (2) shall be—

- (i) in such form;
 - (ii) authenticated, filled up, furnished and exchanged in such manner; and
 - (iii) submitted to such authority and in such manner;
- as may be prescribed.

(4) When local goods are sold to unregistered dealers or to any person who is not a dealer, no declaration shall be exchanged.

(5) Where a registered dealer referred to in sub-section (1) has in the course of his business sold local goods to other registered dealers and has failed to exchange declarations as required by sub-section (1) it shall be

presumed that he has facilitated the evasion of entry tax on the local goods so sold and accordingly he shall be liable to pay penalty of an amount equal to one and a half times the entry tax payable on such goods as if they were not goods of local origin.

(6) Where any registered dealer referred to in sub-section (2), in the course of his business has sold local goods purchased by him to other registered dealers and declarations mentioned in sub-section (2) are not exchanged between him and the registered dealer to whom he has sold the goods except in the circumstances mentioned in the proviso to sub-section (2), it shall be presumed that he has facilitated the evasion of entry tax on the local goods so sold and he shall be liable to pay a penalty equal to one and a half times the amount of entry tax payable on such goods as if they were not goods of local origin.

Penalty for Failure to Fulfil Responsibility or Obligation Undertaken

8. Where any dealer issues a declaration under the provisions of this Act or the rules made thereunder or any notification issued under section 10 wherein he has undertaken any specific responsibility or obligation in regard to any goods purchased by him after the issue of such declaration and he fails to fulfil such responsibility or obligation, such dealer shall be liable to pay a penalty equal to one and a half times the entry tax computed at the rates mentioned in Schedule II or Schedule III, as the case may be, in respect of such goods.

Provided that, no penalty under this section shall be imposed if under any provision of this Act or the rules made thereunder the default of the dealer for his failure to discharge such responsibility or obligation can be subjected to the imposition of any tax or penalty.

Amendment of Schedule II

9.(1) The State Government may, by notification amend rate of entry tax specified in Schedule II and Schedule III and thereupon each of the said Schedules shall stand amended accordingly :

Provided that the rate of entry tax shall not be increased by more than twenty five per cent the aggregate of the rate specified in the Schedule at the commencement of this Act :

Provided further that no notification shall be issued under this section without giving in the "Gazette" such previous notice, as the State Government may consider reasonable, of its intention to issue such notification.

(2) Every notification issued under sub-section (1) shall as soon as may be, after it is issued, be laid on the table of the Legislative Assembly.

Power to Exempt

10. The State Government may, by notification, subject to such restric-

tions and conditions as may be specified therein, exempt, whether prospectively or retrospectively, in whole or in part, any class of dealers or persons or any goods or class of goods from the payment of entry tax under this Act in respect of all or any of the local areas and for such period as may be specified in the notification.

Burden of Proof

xx(1) The burden of proving —

- (a) that a dealer has not effected the entry of any goods specified in Schedule II into a local area for consumption, use or sale therein;
- (b) that a dealer has not effected the entry of any goods specified in Schedule III into a local area for consumption or use therein as a raw material;
- (c) that a dealer is entitled to deduction in respect of purchase value of local goods for the purpose of the computation of taxable purchase value;
- (d) that goods purchased by a dealer in a local area from a person or a dealer who is not a registered dealer had not entered into that local area before they were purchased by him;
- (e) that a dealer is entitled to any other deductions in computing the taxable quantity shall be on the dealer.

(2) For purposes of claiming deduction in respect of the purchase value of local goods which have been sold in the same local area in relation to which such goods are local goods the dealer shall produce a declaration from the registered dealer from whom he has purchased the local goods in that local area as provided in sub-sections (1) and (2) of section 7.

Rate at which Entry Tax to be Charged on Goods Under Section 3(2)

12.(1) The entry tax payable under sub-section (2) of section 3 shall be levied as value of the goods notified thereunder at the rate mentioned in column (3) of Schedule II or Schedule III, as the case may be and shall be assessed and collected from the person who is in possession of such goods by such authority and in such manner as may be prescribed.

(2) Appeal or revision against the order of the assessing authority under sub-section (1) shall lie to such authority, within such period and in such manner as may be prescribed.

(3) The assessing authority, the appellate authority and the revising authority shall, for the purposes of this section, have the same powers as are exercisable by those authorities under this Act in respect of a dealer and the provisions of this Act relating to assessment, appeal and revision of a dealer shall apply in respect of a person to whom sub-section (1) applies.

Certain Provisions of Sales Tax Act to Apply

13. Subject to the provisions of this Act and the rules made thereunder, sections 3, 7-A, 17, 18, 19, 20, 21, 22-A, 22-C, 24, 24-A, 26, 27, 29, 30, 31, 33, 33-B, 34, 35, 36, 40, 41, 42, 42-A, 43, 45, 46, 47, 47-A, 48 and 51 of the Sales Tax Act and the rules, orders and notifications issued thereunder shall mutatis mutandis apply to a dealer in respect of entry tax levied and payable under this Act as if those sections were mutatis mutandis incorporated in this Act and the rules, orders and notifications issued under those sections were mutatis mutandis issued under the relevant sections as so incorporated in this Act.

Assessment, Collection, etc., of Entry Tax

14. Subject to the provisions of this Act and the rules made thereunder the administration of this Act in so far as it relates to levy, assessment and collection of entry tax from dealers shall vest in the authorities specified in section 3 of the Sales Tax Act and accordingly the authorities for the time being empowered to assess, re-assess, collect and enforce payment of any tax under the Sales Tax Act shall assess, re-assess, collect and enforce the payment of entry tax including any penalty payable by a dealer under this Act as if the tax or penalty payable by such dealer under this Act or under the provisions of the Sales Tax Act as made applicable under section 13 to dealers in relation to tax levied under this Act is a tax or penalty payable under that Act and for this purpose they may exercise all powers conferred upon them by or under that Act.

Appeal

15.(1) Any dealer objecting to an original order of assessment, with or without penalty passed in respect of him under section 18 or section 19 of the Sales Tax Act or to an original order imposing penalty on him or relating to refund under section 24 or any order passed under section 45 of the Sales Tax Act may, within thirty days of the communication of such order and in the prescribed manner, appeal against such order to —

- (a) the Appellate Assistant Commissioner, where the original order is passed by the Sales Tax Officer or the Assistant Sales Tax Officer.
- (b) the Deputy Commissioner, where the original order is passed by the Assistant Commissioner.

(2) No appeal against an order of assessment with or without penalty, or against an order imposing penalty shall be admitted by the appellate

authority unless the entry tax with penalty, if any or the penalty, as the case may be, in respect of which appeal has been preferred, has been paid :

Provided that the said authority may, if it deems fit, for reasons to be recorded in writing entertain an appeal against an order of assessment with or without penalty or an order imposing penalty on payment of such smaller amount, as it may direct, which shall not be less than one third of the total balance due from the dealer under the order of assessment with penalty, if any, or the order imposing the penalty, as the case may be.

(3) Subject to such procedure as may be prescribed and after such further inquiry as it may think fit, the appellate authority, in disposing of an appeal under sub-section (1) may—

- (a) confirm, reduce, enhance or annul the assessment or the penalty or both; or
- (b) set aside the assessment or the penalty or both, and direct the officer whose assessment order has been appealed against to make a fresh assessment, after such further inquiry, as may be directed; or
- (c) pass such orders, as it may think fit.

Power of Revision by Commissioner

16.(1) The Commissioner may on his own motion or on application by a dealer made within the prescribed period from the date of the order, call for the record of the proceeding in which any order was passed, and on receipt of the record may make such inquiry or cause such inquiry to be made, as he considers necessary and subject to the provisions of this Act may pass, such order thereon, not being an order prejudicial to the dealer, as he thinks fit;

Provided that the Commissioner shall not revise any order under this sub-section where an appeal against the order is pending before any authority specified in sub-section (1) of section 15 or where if such appeal lies, the time within which it may be filed has not expired :

Provided further that the commissioner shall not entertain any application by a dealer against an order determining his liability to pay entry tax or a notice issued under this Act for assessment, except after an assessment order is passed.

Explanation—An order by the Commissioner declining interference shall not be deemed to be an order prejudicial to the dealer.

(2) The Commissioner may, on his own motion or on information received, call for and examine the record of any proceeding under this Act if he considers that any order passed therein by any person appointed under section 3 of the Sales Tax Act to assist him is erroneous in so far as it is prejudicial to the interest of the revenue, he may after giving the dealer an opportunity of being heard and after making or causing to be made such inquiry as he deems necessary, pass such order thereon as the circumstances of the case justify

including an order enhancing or modifying the assessment, or cancelling the assessment and directing a fresh assessment :

Provided that no proceedings shall be initiated under this sub-section after the expiry of three years from the date of the order sought to be revised.

(3) Any dealer objecting to an order passed by the Commissioner under sub-section (2) may appeal to the Tribunal within sixty days of the date on which the order is communicated to him.

(4) The provisions of sub-sections (2) and (3) of section 15 shall, mutatis mutandis apply to appeal filed under sub-section (3).

Proceeds of Entry Tax to be Credited to Madhya Pradesh Octroi Compensation Fund

17.(1) The proceeds of the entry tax under this Act shall first be credited to the Consolidated Fund of the State and the State Government may, at the commencement of each financial year, if the Legislative Assembly by appropriation made by law in this behalf so provides, withdraw the proceeds so credited after deducting therefrom such sum of money on account of collection charges as it may think fit and place the same to the credit of the Madhya Pradesh Octroi Compensation Fund created under section 7-B of the Sales Tax Act, for the purpose of paying grant-in-aid in accordance with the provisions of that section.

(2) Any sum credited into the said Fund under sub-section (1) shall be an expenditure charged on the Consolidated Fund of the State of Madhya Pradesh.

Finality of Orders

18. Save as otherwise expressly provided in this Act every order made by an assessing authority, appellate authority or a revising authority under this Act shall be final and shall not be called in question in any original suit, application or execution or proceeding and no injunction shall be granted by any court or other authority in respect of any action taken or to be taken in pursuance of any power conferred by or under this Act or in respect of any recovery to be made as an arrear of land revenue.

Set Off in Certain Cases

19. Where entry tax is payable by a dealer or by any person in respect of the entry of goods into a local area comprised within the limits of a Cantonment Board and a tax in the nature of an entry tax or octroi is levied by the Cantonment Board on the entry of goods into that local area for consumption, use or sale therein, such dealer or person shall be entitled to a set off in the prescribed manner of an amount equal to either the tax proved to have been

actually paid by him to the Cantonment Board or the tax payable under this Act, whichever is less.

Power to Make Rules

20. (1) The State Government may make rules to carry out the purposes of this Act.

(2) In particular and without prejudice to the generality of the foregoing power, the State Government may make rules prescribing—

- (a) the other market value under sub-clause (iii) of clause (h) of sub-section (1) of section 2;
- (b) the other purchase value under sub-clause (vi) of clause (i) of sub-section (1) of section 2;
- (c) (i) the conditions and restrictions under the first proviso to sub-section (1) of section 4;
- (ii) the proof on production of which, the manner in which and restrictions and conditions subject to which a registered dealer shall be entitled to set off or refund under the second proviso to sub-section (1) of section 4 and the proportion in which he shall be entitled thereto;
- (d) (i) the authority to whom, the manner in which, the time within which and the form in which declaration under sub-section (1) of section 4 shall be filed;
- (ii) the penalty under sub-section (2) of section 5;
- (e) the form in which the declaration shall be issued, the manner in which such declaration shall be authenticated, filled up, furnished and exchanged and the authority to which and the manner in which such declaration shall be submitted under section 7;
- (f) (i) the authority by which and manner in which the assessment and collection of entry tax shall be made under sub-section (1) of section 12;
- (ii) the authority to whom the period within which and the manner in which an appeal or revision shall lie under sub-section (2) of section 12;
- (g) (i) the manner in which an appeal shall be made under sub-section (1) of section 15;
- (ii) the procedure subject to which an order shall be passed under sub-section (3) of section 15;
- (h) the time within which an application for revision shall be made under sub-section (1) of section 16;
- (i) the manner in which the set off shall be given under section 19;
- (i) the form in which and the authority to which declaration shall be furnished under proviso to section 21;
- (k) any other matter which has to be or may be prescribed.

(3) All rules made under this section shall be laid on the table of the Legislative Assembly.

Transitory Provisions

21. Notwithstanding anything contained in this Act where entry of any goods specified in Schedule II or Schedule III of this Act had been effected by a dealer into a local area before the 1st day of May, 1976 and such dealer had paid the tax levied by the concerned local authority under the law relating to local authority on the entry of such goods into a local area for consumption, use or sale therein, then such dealer shall not be liable to tax under this Act in respect of the consumption, use or sale of such goods in that local area on or after such date and accordingly in computing the taxable quantum of the dealer who had paid such tax a deduction shall be given in respect of the value of such goods:

Provided that nothing in this section shall apply unless the dealer furnishes a declaration in such form and to such authority as may be prescribed within three months from the date of commencement of this Act.

Section 10 of Madhya Pradesh Act 3 of 1958 to Apply

22. The provisions of section 10 of the Madhya Pradesh General Clauses Act, 1957 (No. 3 of 1958) shall apply in relation to matters pending on the 1st day of May, 1976 with respect to Octroi tax levied by a local authority under the law relating to local authority prior to the said date as it would have applied had the relevant provisions of the law relating to local authority been repealed by this Act.


Removal of Difficulty

23. If any difficulty arises in giving effect to the provisions of this Act in consequence of the transition to the said provisions from the corresponding provisions contained in any law relating to local authorities, the State Government may, by an order notified in "Gazette" make such provisions not inconsistent with this Act as appear to be necessary or expedient for removing the difficulty:

Provided that no order shall be made under this section after the expiry of a period of one year from the 1st day of May, 1976.

Repeal

24. As from the date specified in sub-section (2) of section 1, the Madhya Pradesh Sthaniya Kshetra Me Mal Ke Pravesh Par Kar Adhiadesh, 1976 (No. 6 of 1976) shall stand repealed.



Proceedings of the Seminar on Octroi and Terminal Taxes : A Summary

WITH the growing demand for local revenue mobilization, there is an increasing emphasis on using octroi more intensively; at the same time, the consequent restrictions on the free flow of commodities within the country due to the prevalence of octroi are being subject to a lot of criticism. The problem could be discussed from a number of angles—economic, administrative and regional development. The question of reform of octroi and terminal taxes needs to be discussed in terms of its implications for economic development; the fiscal problems are really secondary to the main objective thus identified. Nevertheless, the fiscal implications of such reform are to be carefully considered in terms of its impact on local finance and the structure of indirect taxation as a whole. Abolition of octroi, even if desirable, may not be practicable at one stroke over a large part of the country. As a compromise, one could think of relating octroi in the larger metropolitan areas and abolish it from the majority of local areas. This might result in some deconcentration of economic activities and making the metropolitan areas compensate other local areas for the loss of revenue. In the States without such metropolitan areas, the responsibility for compensation would rest on the State Governments through restructuring their sales tax system. In every case, the question of abolition of octroi can not be discussed without examining in depth the structure of indirect taxes at the State and local levels, so that, without reducing the overall incidence, the local impost might be done away with. Related to this strategy is the manner in which the local authorities are to be compensated for the revenue loss and share in the future buoyancy of the attractive levy.

One of the neglected aspects of octroi is an indepth study of its economics—its incidence, elasticity, effects on industrial location and distribution system, flow of traffic and so on. Without detailed studies on these aspects, it is difficult to anticipate the directions of change that could be expected with the abolition of octroi. Such studies would be needed to redesign the State-local indirect tax system and also to formulate alternative schemes of reform, once the basic political decision regarding the eventual abolition of octroi is taken.

ADMINISTRATIVE PROBLEMS

Pending the question of abolition of octroi and terminal taxes one

could concentrate on improving their administration, as long as these are in vogue. The particular hardships of the traders and transporters could be mitigated through a number of administrative innovations, such as, collection of octroi through the major transporters, construction of bonded warehouses outside the city limits, introduction of transport passes for through traffic, provision of by-passes around the city, and rationalization of the rate schedules. The question of regionalization of octroi was discussed and it was pointed out that unless this is done under the auspices of the State Governments, inter-local agreements may not succeed. It was agreed, however, that there was a good case for abolition of octroi in the smaller towns and local areas so that the administrative changes could be concentrated in the larger urban centres.

The points of leakage of octroi were identified to include the importers, the transporters, the agents, refund payments and the staff. With a mobile vigilance squad and rotation of staff among different checkpoints and with the headquarters, many of the corrupt practices could be eradicated. It is not always true to say that the cost of collection of octroi is very high, or much higher than sales tax. In Bombay, for instance, the cost of octroi collection comes to about 2.68 per cent of gross revenue. In Ahmedabad this is about 2.75 per cent. There was some discussion about the possibility of introducing *ad valorem* rates for octroi and it was agreed that low weight and high value commodities are ideally suited for the purpose. Most of the commodities subject to octroi, however, are of the high weight and low value category and these could best be taxed on specific or weight basis. A detailed analysis of the type of goods subjected to octroi should be preceded before rationalization of the basis of levy or rate schedule could be undertaken. A system of standard commodity classification, like the Brussels nomenclature, should be adopted to cover all indirect taxes, including octroi. In West Bengal, there is a evaded commoditywise classification for the sales tax returns and the results achieved so far are quite encouraging.

Collection of octroi intelligence was also necessary on a State-wide basis to determine the items to be subjected to tax, the base of taxation and the rates to be charged. The local authorities should have the freedom to decide the rates of octroi within a specified limit prescribed by the State Government. With the increase in the rates and widening of coverage, the cost of octroi collection is expected to come down.

Regarding the field staff, it was suggested that they should be senior enough to exercise discretion regarding accepting the declared value, the price lists supplied to them could at best be guidelines and the application of judgement in these matters is of prime importance. A parallel was drawn here with the customs administration. It was pointed out that this would entail two things: (a) posting of better quality of field personnel, which is possible only when octroi is regionalized, and (b) provision of adequate appeal arrangements by setting up high powered tribunals within the administrative system.

THE ALTERNATIVES

The search for alternative levies in substitution of octroi is valid only when it is conclusively proved that its abolition is justified on rational economic grounds; however, such a case does not exist as the conventional arguments for its abolition lack the necessary data base. There is no evidence that trade and industry has shied away from the major centres of production and distribution. It is also noticed that the octroi incidence is too small to affect the major locational advantages of the major metropolitan areas. The incidence on the consumers is also relatively light, compared to other indirect taxes and there is hardly any snowballing effect of the tax in the form of pyramiding of prices. It was also pointed out that abolition of octroi could not be discussed in isolation of the structure of indirect taxes in the country as a whole and the total tax burden on the community. Any reform of octroi must, therefore, form an integral part of a package of reform of the indirect taxes in general.

The question of octroi substitution could be discussed in terms of taxes on the same base, or on alternative bases, but within the same jurisdiction. So far alternatives to octroi have been discussed by disregarding the possibility of alternative local taxes, such as, a reformed property tax or a direct local business tax. Also, a rationalized system of user charges at the local level could generate enough resources to compensate for the loss of octroi.

Regarding a State-wide indirect tax to substitute octroi, it was pointed out that a progressive turnover tax is less desirable than a flat-rate tax structure, since the latter would have a built-in flexibility and pose lesser administrative burden. A surcharge on sales tax or a municipal sales tax will create several problems of *inter se* distribution of the tax proceeds to the local authorities and introduce distortions in the sales tax structure.

The fact that neither the Gujarat nor the Maharashtra reports on octroi abolition have been acted upon so far indicates tremendous administrative problems in absorbing the octroi burden in the sales tax structure, whose rates are already very high. The general trend in sales tax is to adopt a single-point tax on the majority of items and a multi-point tax on a residual number of unspecified items.

One related question regarding octroi substitution is the manner and quantum of compensation to be paid to the local authorities. There is a tendency on the part of the States to work out the compensation formula by disregarding the principles of origin. Also, the question of timely release of the compensation grant is vital for the stability of municipal finances. The problems of absorbing the redundant octroi staff in comparable occupations is also not easy, considering their educational background and the limited opportunities for local employment.


EXPERIENCE OF OCTROI ABOLITION

The most recent and comprehensive experiment with the abolition of

octroi came from Madhya Pradesh where it was decided to abolish it at one stroke and was uniformly applied to all local bodies. The existing scheme consisted of : (i) a turnover tax, and (ii) an entry tax. A surcharge on sales tax was not favoured as the scope of the tax was somewhat limited in terms of coverage. The scheme took into account the needs of the local authorities not levying octroi, as well as the abolition of octroi in the cantonments, by providing suitable compensation. More than 6000 persons were engaged in octroi administration and efforts were made to absorb them in a variety of ways. An assessment of the impact of octroi abolition needs to be made from a variety of view points: (a) the State Government, (b) the local authorities, (c) the business sector, and (d) the consumers. It is felt that the consumers have not reaped any benefit due to octroi abolition; its beneficiary is mainly the business sector at the expense of the State Government. The full impact of octroi abolition will be known after detailed studies in this respect and with the lapse of a few years.

The experience of Andhra Pradesh in abolition of octroi in the Telengana region has not been quite encouraging. The State Government is paying cent per cent compensation to the local authorities from its own revenues and at the same time, the financial position of the local authorities has deteriorated in the absence of the most elastic and lucrative source of local revenue. Various alternative levies have been suggested at the State-level, the most preferred being a surcharge on sales tax. There is even a thinking on reintroducing octroi. It was pointed out that unlike Madhya Pradesh, octroi abolition in the Andhra Pradesh was not preceded by a careful consideration of the steps to be taken to find alternative tax source for octroi substitution and the method of compensation to the local authorities on rational and equitable basis.

There was unanimity that the policy regarding abolition of octroi should be taken at the national level and the Central Government should participate in compensating the State Governments through the Finance Commission grants. The questions to be decided in this connection are: (a) whether abolition of octroi should be done gradually or at one stroke? (b) could one suggest an equal-yield tax to substitute octroi? (c) how to solve the problem of liquidity of the local authorities? (d) what are the consequences on the state budget? (e) how to absorb the surplus staff?, etc. These questions have not only a local bearing, but the cumulative effect of the decision has national repercussions. The desirability of the National Permit Scheme for the transport operators was conceded, but its implementation had several and far-reaching implications. It is proper that necessary guidelines are agreed on this score at the national level, within which the State Governments could take practical steps to mitigate the hardships caused by octroi and terminal taxes.



Book Note

Local Government Finance: Report of the Committee of Inquiry (Layfield Committee), 1976, Vol. I, Her Majesty's Stationery Office, London, pp. xxxiii+494, £ 5.75.*

In 1974 the local authorities in the U.K. landed in a state of crisis brought about by the rising inflation, reorganization of structure, functions and amalgamation of areas, as also by the angry and extensive outburst of protests at the unprecedented increases in rate demand in England and Wales. The net result was an increased pressure to spend more without any corresponding increase in income to respond to this pressure. The Secretary of State for the Environment appointed a Committee on local government finance through an announcement in the House of Commons on 27th June, 1974 in such a background. The Committee was chaired by Frank Layfield.

The terms of reference required the Committee "to review the whole system of local government finance in England, Scotland and Wales and to make recommendations." The Committee was given ample scope to consider any aspect of finance it found relevant not only for the solution of short-term problems but to consider also the long-term issues and the "whole nature of the system." The Committee submitted its unanimous report with notes of reservation by Prof. Alan Day and Prof. Gordon Cameron in March, 1976.

A FINANCIAL SYSTEM

The Committee felt that the objectives of the existing financial arrangements were neither clear nor properly related to each other. The Committee therefore, addressed itself to suggesting of measures not only for the adjustments in the present arrangements but also for the "construction of a financial system." A satisfactory financial system should have the following prerequisites:

- (i) Accountability—whoever is responsible for increasing expenditure should also be responsible for raising the necessary revenue;
- (ii) Fairness—fairness between individuals and areas; similar treatment of similarly situated persons;

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- (iii) Awareness of implications of the choice between consumption and investment;
- (iv) Efficiency in the provision of services; and
- (v) Arrangements to be stable, flexible, and comprehensive.

The role performance of the local authorities depends on their abilities to raise their own taxes which should be local in nature, clearly perceptible, uniform in application and comprehensive in assessment. But in recent years there has been growing propensity for the government to determine, in increasing details, the pace and direction of the local government service, the resources allocated to them as also the priorities; all pointing a trend towards centralisation. Rate support grant determination provides an occasion to give detailed guidance to the local authorities regarding their pattern of expenditure. This drift towards central responsibility has been brought about largely because of: (a) the tendency for government grants to grow in relation to the yield from local taxation; and (b) natural government concern with the total local government expenditure.

In order to arrest this trend a conscious decision is needed to establish firmly, on a considered basis, clear accountability and support by appropriate financial arrangements. The Committee felt that there are a number of important functions like planning control, weights and measures, other public control measures, building regulation, and public information services which do not involve substantial expenditure and over which local authorities could have wider discretion.

LOCAL RESPONSIBILITY

The Committee concluded that local accountability is unlikely to be achieved within the framework of a financial system with high and increasing grants and rating as the single local tax. There are two prerequisites for a system of greater local responsibility, *viz.*, (a) lessening of dependence on national taxation: and (b) consequential increase in the capacity of local authorities to raise taxes so that its yield matches the changes in expenditure with fairly tolerable burden put on domestic rate-payers. The rating system alone cannot generate funds to meet the expenditure requirements. This calls for some additional source of local taxation. A larger local tax base is an essential first step to increasing local responsibility. Other measures needed are: (a) more explicit treatment of local government expenditure in the Public expenditure Survey; (b) greater participation by the local authorities in that exercise, (c) greater certainty over several years in the levels of grants; (d) more stability in grant distribution; and (e) a better integrated time table for grant determination and local budgeting. But the most important is the need for an effective institution to constantly review the way in which legislative, administrative and other developments affect the balance of power between

government and the local authorities. The Committee, therefore, recommended the setting up of an independent joint forum preferably in the form of a Standing Royal Commission which will be charged with continuing review of the local government financial system, changes in local government expenditure and with the nature of relationship between the government and local authorities. It will provide the basis for a better understanding of trends and requirements and will assist decision making at both levels of government.

IMPROVING FINANCIAL ADMINISTRATION

In order to avoid waste and extravagancy as also to promote efficiency in public expenditure, the Committee felt that the audit service in England and Wales should be made completely independent of both the government and local authorities. A higher institution should, therefore, be especially constituted either in the form of Parliamentary Committee like the Public Accounts Committee or the one with representatives from local authorities. For promoting internal safeguards, the Chief Financial Officer of a local government should be under a statutory obligation to report regularly to the Council on defined financial issues.

Coming to the main problem again, the Committee felt that in order to relieve burden on local rate-payers certain responsibilities should be transferred to the central government. But as local discretion is of paramount importance, financial responsibility should be transferred only where local authorities have no discretions over the standard of services provided. Services like mandatory students awards, police, magistrate's courts in England and Wales, the probation and after-care service are such over which local authorities have little or no control. Besides, these are already effectively national services. There are still other services for which the local government acts merely as an agent. These should be transferred to the government.

NEW SOURCES OF LOCAL REVENUE

The Committee applied two tests to judge the suitability of local sources of revenue:

- (a) Capable of producing substantial revenue so that government grant is restricted to no more than 50 per cent of the local government net revenue expenditure; and
- (b) For promoting accountability and perceptibility, any change in the level of local source of revenue should be set locally, be clearly related to local expenditure and the effective burden should not be borne substantially by people outside the area concerned.

A Local Income Tax with locally variable rates of tax and levied on the

basis of tax payers' place of residence meets the aforesaid tests. The Committee concluded that this is the only feasible major new source of income. As regards rating, the Committee felt to base the rating on the capital value of domestic property in England and Wales. Preparations for revaluation on this was recommended to be made at the earliest. The Committee favoured radical change in the policies for financing local services through charging the people for the individual benefits they enjoy. This could be extended to all services where the individual benefits could be identifiable.

GRANTS

Grants have essentially to redistribute central taxation for compensating local authorities for differences in their taxable resources. Therefore, some method has to be evolved to estimate what different authorities require to spend in order to provide a similar volume of local services and to provide an equitable basis for the measurement of ability of people in different areas to pay local taxes.

Of the three types of grants in vogue in Britain (Block grants, Specific grants, and Supplementary grants) the Block grants should be used to the greatest possible extent and this should be capable of compensating for disparities in needs and resources and there should be stability and certainty in both total and distribution of grants. For this, the basis of distribution should be settled at least a year ahead of the current year. But in view of promoting local responsibility, the proportion of grants should be reduced by a corresponding increase in the local tax base.

The Committee could not find a better way of estimating spending needs than the past expenditure patterns being currently used for the purpose. However, rateable value which is being used to measure the taxable resources of domestic tax payers, should be replaced by personal income which will be a better measure. The Committee stressed the need to study feasibility of distributing grants on this basis.

In order to enable authorities with high and low taxable resources alike to vary the levels of services without widely differing local tax-burdens, grants should be paid on expenditure both up to and above a specified level.

The present system of separate needs and resources elements in grants needs to be replaced by a unitary grant with a single element embracing the functions of the present separate needs and resources elements. A single element will provide compensation both for variations in spending needs and tax raising capability between areas. This grant should not be related with expenditure but with provision of some common level of services to a common tax rate. However, if it is to be related with expenditure, then it should aim to enable authorities who chose similar overall levels of local services to levy similar local tax rates.

MACRO-ECONOMIC CONTROL

The Committee stressed the need for macro-economic control of local expenditure as the total of both government's spending is substantial. The expenditure has to be regulated according to the conditions of slump or inflation prevailing in the economy. For this the "system of central responsibility" has to be evolved wherein the setting of total expenditure and its allocation to services and to individual authorities should be a government responsibility. Under the "system of local responsibility" which has also to be effectively evolved, the local authorities would be more responsible for the control of expenditure and also to the electorates for the expenditure incurred as also the revenues raised to finance it.

NOTES OF RESERVATION BY PROF. ALAN DAY AND GORDAN CAMERON

Prof. Alan Day has his reservations on the basic structure of the report polarised between the two possible sets of financial structures—centralist and localist. He feels that there is a continuum of choice in between these two poles deserving the consideration to find a 'middle' way. He doubts the efficacy of the 'localist' model of the main report in preventing the steady movement towards centralism. Centralist trend is likely to grow especially in view of 1976 White Paper on Public Expenditure which visualises a declining fall in the share of gross domestic product absorbed by the local authorities. However, he feels that the financial mechanism can still be designed to allow substantial local autonomy.

Prof. Day thinks that the essential, minimum or acceptable national standards need to be clearly defined. Accordingly, the government should determine the minimum standards for each of the services in which there is a national interest and would also be responsible for their financing. Beyond this it would allow local authorities to raise and spend money to an extent determined by its views on macro-economic conditions and for whatever purposes local democracy might determine within the statutory powers of the local authorities. In some services the national minimum standards might be maxima. In such cases there would be the vertical division of responsibility wherein the Central Government would take primary financial responsibility for some services and the local government for the rest. In other services the local governments should be free to choose to enjoy and pay for standards of services above the minima. In such cases there would be a horizontal division of responsibilities (Central Government would take the primary financial responsibility for defined minimum standard and the local authorities to take the primary responsibility for any provision in its area above those minimum standards).

Insofar as grants are paid to finance the provision of minimum national standards, specific grant should be paid at or approaching 100 per cent of the

estimated cost. The national needs would, thus, explicitly be financed nationally and the block grant would become predominantly or solely an instrument to equalise the resources of different authorities so that they could provide the same basic standards of services at the same local tax rate.

Prof. Cameron has his own reservations on the rejection in the main report of a standard approach for the clarification of financial accountability between central and local government. On this he is in full agreement with Prof. Alan Day.



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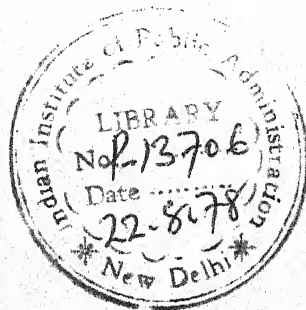
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